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CONCERNING THE NATURE OF CAPITAL: A REPLY.

NOTHING ever comes from the brilliant pen of Dr. Eugen von Böhm-Bawerk, eminent as scholar and as Finance Minister, which does not contribute to clearness of thought, and thus to an ultimate unanimity of view, on the subject treated. His recent vigorous articles on my theory of distribution have contributed to such a final agreement, not more by reason of the generous commendation which he bestows on certain parts of my work than by his acute criticism of certain other parts. The point which he has selected for the principal attack is the conception of the nature of capital which is carried thru the general theory. If his claim shall be accepted, and if that part of the work shall be discarded, the system will not, indeed, be destroyed, but will have to be restated by the use of cumbersome formulas. Comparing the system to a ship, one may say that it will not be reduced to the flotsam and jetsam of a wreck, but will merely have to be sailed somewhat inconveniently under a jury mast.

In the criticism itself this point is central, and, if it shall be so met as to enable the theory of capital to survive, the remaining criticisms must lose their principal effect, since they are all dependent upon the correctness or incorrectness of my statement of the nature of capital and its relation to instruments of production, or capital goods.

At the outset I must claim that, if the view of capital expressed in my work deserves to be cast out of theoretical thought, it should be cast out of practical thought as well; for all that this part of the theory aims to do is to put into explicit terms the idea of capital which has possession of business men's minds, and, if this is not in accordance with facts, it will be necessary to bring about a somewhat revolutionary change in the mental attitude of men of affairs. Nothing is, I venture to affirm, held more generally and expressed more constantly by the men who own and use capital and by those who labor in connection with it than the concept which is under criticism. This unanimity of practical thought will be difficult to change, and, moreover, it affords in itself more than a presumption of the correctness of the view so held.

Beyond dispute it is the duty of the economist to describe facts as they exist, and, in describing them, to use each term in a sense which is at least in harmony with the one which the evolution of popular language has attached to it. My claim is that a certain objective thing exists to which the name "capital" may be rightly applied, and that something also exists to which the name "capital goods," may be properly applied; that these two entities, which at first glance may seem to be identical, are, on a second glance, found differing in an important particular; that both of them are essential parts of an economic theory, but that one cannot in such a theory be freely substituted for the other without producing very serious confusion. In the view of my distinguished critic what I

have defined as capital is something quite apart from facts and presumably apart from practical men's idea of facts. It is, as he thinks, an unsubstantial figure, an empty form of speech and thought. It is even a "phantasm" and a "hobgoblin," belonging to the "mythology of capital." Whether this view of it is or is not correct remains for the reader to determine.

We are probably not on controvertible ground when we say that capital is productive wealth. So much, in the way of a definition, is so universally held that it scarcely requires any support from present argument. This definition may seem to involve a certain presumption in favor of a productivity theory of interest; for, if capital produces, the measure of its product would seem, off-hand, to afford a somewhat natural measure of its returns. In advance, however, of argument, I do not claim as much as this. No theory denies the existence of wealth in forms which do not directly satisfy consumers' wants, but do aid in creating products which satisfy them. In that sense this variety of wealth is certainly productive.

In distinguishing this variety of wealth from wealth devoted to consumption, we usually notice the kinds of goods which constitute each variety. On the one hand are tools of trade, hammers, wagons, engines, furnaces, iron ore, raw cotton: on the other hand are furniture, dwellings, clothes, food. Thus far the statement involves no break from common ones, and Minister von Böhm-Bawerk is correct in saying, of my reference to the processes by which capital produces, that it brings before the mind "the familiar features of capital goods,—machines, tools, buildings,"—and he is generously candid in saying, in a foot-note, "It is not to be forgotten that Professor Clark has said repeatedly, and with emphasis, that his true capital exists only so long as it is incorporated in capital goods, and has taken the form of materials, tools, merchandise,

and the like." Nevertheless, I plead guilty of saying that what is meant by capital as commonly used is "not to be confounded with" that other entity that is described by the term "capital goods." There is one important point in which the objective things suggested by these two terms are unlike, and the effect of that difference is far-reaching.

What we mean by capital is a mass of things belonging to a certain genus. They are of the kind represented by the machines, tools, and buildings, referred to. If mankind could take an inventory of all the things of this kind in its possession at a single moment of time, it would find that they constitute, for that instant, its capital. For that microscopic period, capital would consist in the identical machines, tools, buildings, which are seen and are placed on the inventory. For one mathematical instant there is no difference between capital and capital goods. Particular instruments of production, every one of which can be identified, momentarily, constitute what we designate as capital. *Not for any two instants do these particular things do this.* In another moment some of them will have gone, and others will have taken their places. At the end of a year very many will have gone, and at the end of five years the great majority of them will have done so. All the while we shall have had goods of this kind in possession, but not *the* goods with which we started. We shall have had thru the five-year period, and shall continue to have thru many more such intervals, a mass of wealth the bodily composition of which is changing. The identity of the individual things in the mass will not be preserved.

There is going on a continual expulsion and replacement of the component elements in that total which, thru any prolonged period of time, constitutes the possession of the capitalist. This permanent mass with the changeful composition is a thing to which a term of some kind must

be applied, and to which, in common thought, the term "capital" is applied. It is a body made up at each instant of some individuals belonging to a definite genus. The variety survives; the fact of a mass of goods of this kind persists; there is never a moment when there is not a body made up of material things of the kind described. But the body sustains itself, like that of a living animal, by waste and replenishment of tissue. It is this lasting body to which we are compelled to apply the term "capital," whenever we so use it as to attach to it any idea of continuance.

A river is composed of drops of water. At any particular instant we could, if we were capable of sufficiently rapid and extensive observation, identify the drops. Not for any two days is the river made up of the same drops. The body of an animal is made up of nervous, muscular, and bony tissue, but not of the same tissue for any length of time. A primeval forest is composed of trees, but not, thru the ages which its existence spans, is it composed of the same trees. The river, the animal body, and the forest are certainly not phantoms; and capital, maintained as it is thru the years and decades by a like replenishment of wasting corporeal tissue, is not so. Whatever questions may arise as to a use of terms, there is certainly no doubt of the objective existence and the continuance of such a body.

The whole claim which I have made concerning capital is established if it is conceded that it has continuance. And on this point common thought is unequivocal. As the Hudson River, which flows by my door, is regarded as the same river that the Dutch explorer discovered in 1609, so the capital, some portion of which may have been handed down from a father to his descendants for as long a period, is regarded as having a like continuance. If this mode of thinking and speaking be objectionable, it will

be necessary to speak of the Hudson River, not as a permanent feature of the topography of the State of New York, but as something which existed at the moment when Hendrik Hudson first looked thru the entrance of New York Bay, and has never been seen since. It will be necessary to speak of the Hudson of 1609, the Hudson of 1610, that of 1611, and so on. It will be necessary to use a like terminology in speaking of persons. The explorer himself was, at the moment of the discovery of the river, the Hendrik Hudson of 1609, while in the next year he was a different man. Each of us, in fact, will have to be regarded as constituting as many men as there are years in our lives. It will be a mistake to think of ourselves as fifty or sixty years old, and we shall have to substitute the idea of being a fiftieth or sixtieth repetition of our former selves. In short, the popular method of regarding bodies which are sustained by a replenishment of wasting tissue as continuous bodies will have to be given up altogether. There is no doubt that at the present time that mode of thinking is familiar to the human mind. The present Hudson is the original one, and so is the present Danube. The man has really lived for fifty years. The capital which was created fifty years ago has had the same continuity, tho there may not now be in existence any single article that helped to compose it at the outset.

I have, then, in so treating capital, done nothing but to recognize an objective fact and to accept a common term for it. On the other hand there is no uncertainty as to the existence and the nature of capital goods. Each one of them has a beginning and an end. The term suggests things which can be identified and traced from their origin to the end of their existence. We can watch any one of them, say a loom, as the materials which constitute it slowly take shape in the furnace, the foundry, and the

machine shop from which it emerges as an active aid to production. We may further watch it as it does its work, is gradually worn out, and is finally cast into the junk heap. We can ascertain what, in a mechanical way, it has accomplished in that time; and, if it has had a commercial career, we shall see that during its active life as a producer it has done enough in the way of creating wealth to enable its owner to get another one like it and have a surplus for his own use, which is the income he has gotten from it. It is this fact—that every instrument of production which is well selected puts two distinct sums of wealth, or, as the popular expression is, of "money," into its owner's pocket, one of which he naturally uses in getting another instrument when the first is worn out, and the other of which he treats as an income and spends as he pleases—that gives capital permanence and makes it yield a return to its owner. The vitality and the abiding power of the capital depend on the self-replacing power of the capital goods.

My critic has not accused me of forgetting the fact that capital goods wear out, and that a part of what they produce has to be used in replacing them. With the candor with which he has endeavored to treat my entire theory, he has cited passages from my work in which these facts are stated. He has accused me of failing to give the needed proof of the fact that the income is created. There is, however, in the work under criticism a table in which the manner in which a capital good provides for the making of its own successor is particularly described. On page 268 of the work referred to there is a table in which certain letters represent four different raw materials, each of which, under the manipulation of a group of producers, gradually ripens into something which is fit for final use. The first three of these finished products, termed A‴, B‴, and C‴, are consumers' goods, while the fourth,

H''', is an instrument of production ready to do its work in helping to produce A''', B''', and C'''.

A'''	B'''	C'''	H'''
A''	B''	C''	H''
A'	B'	C'	H'
A	B	C	H

The A's in the table now represent an article of prime necessity in process of completion. Let us say that A''' is food ready to be eaten, and that A is the rawest material that enters into it. Possibly A may be standing wheat, A' threshed and winnowed wheat stored in the granary, A'' flour, and A''' bread. B may represent the material for clothing, in the shape of wool on sheep's backs; B' may be wool washed, sorted and stored in the warehouse; B'' may be cloth, and B''' clothing. The C's may represent, successively, forest trees, saw-logs, lumber, and houses. Severely simple, indeed, would be the wants of a society that should content itself with this list of articles. It is, perhaps, heroic theorizing that creates such a society, even in imagination; but what we said before about the creating of an imaginary static society holds true here. We are putting a myriad of facts for the moment out of sight, in order that we may isolate and clearly understand certain other facts. The law that would apportion the labor and capital of a very simple society is, as we shall see, the one that actually apportions them in the most complex society that anywhere exists.

In every one of these sub-groups there is labor and capital; and, as we have seen, the material tissues of the capital—the concrete things that compose it—are in a perpetual process of destruction and renewal. How are the destroying and the renewing effected? The stock of passive goods wastes, whenever an A''', a B''', or a C''' is withdrawn for use; and it is replenished by the industry that continually goes on in all the sub-groups. So much we have already seen. The stock of active capital goods—the tools, machines, buildings, etc.—wastes by wearing out and by falling into natural decay. How is this stock replenished? There is, obviously, no power in the group of A's directly to restore the active capital goods that are used up in making A''', for the whole power of this group exhausts itself in making A'''.

Somewhere, however, there is another group, which we may

represent by a series of H's. Its function is to make tools, machines, etc. In our highly simplified table we will let this group of H's replenish all the waste of tissue that fixed capital suffers in the whole series of groups. H, H′, H″, and H‴ now represent the materials that go into active instruments of production, and they represent them in four stages of advancement. H is the rawest material that goes into tools, etc., while H‴ is the assortment of instruments ready to be used. This succession is kept up, as in the case of the other groups; every evening finished H‴'s are taken away, and every day the stock of H‴'s is replenished by the transmuting of H″ into H‴, H′ into H″, and H into H′, and by the creating of a new H. Forever intact is the series of H's, and this means that the true capital in the instrument-making group remains unchanged in amount.

Where do the H‴'s go, and what do they bring to the man in the H group? They go everywhere throughout the system, replacing instruments that are worn out. Some of them go to A, some to B′, some to C″, etc. Some of them go back into the different sub-groups of the H series itself, to replenish the stock of instruments that are worn out in the making of instruments. The income which comes to the men in the sub-group H‴ must, it is clear, come in the form of A‴, B‴, and C‴. The men in the last group in the table cannot eat the looms, the threshing-machines, the flouring mills, etc., that they are themselves making; but they must eat the bread represented by A‴. They cannot wear their machines or dwell in mills; but they must have clothing and dwelling-houses. These they must get by taking some part of the product of the first three groups.

In view of this statement, which is further elaborated in the text, is it accurate to say that I have dodged any issue connected with the waste which instruments undergo, with the mode of replacing them and with the fact of the surplus which they yield, and which, as yielded by an endless series of similar instruments, constitutes the interest on capital? Is it accurate to say that I have established the fact of a perpetual income from the abiding stock of capital goods by resorting to "necromancy" or by introducing a convenient "hobgoblin"? Is it accurate to say that,

according to my theory, or any portion of it, that part of the product of a capital good which is not a net income for its owner, but is required for the replacement of the good itself, must go "presumably to labor"?[1] It goes to reward the labor and the capital which preserve a stock of capital goods from wasting away, or, in other words, for keeping capital permanently intact.

The part of my work in which I am accused of having avoided this important issue is that in which I have traced interest to its source in the marginal productivity of social capital. In this part of the work the assumption is made that a quantity of labor is available at the beginning of a period and continues to be so, without increasing or diminishing, and that capital is set working in a succession of increments. The product imputed to each increment of capital is measured by the difference which its presence makes in the total output of industry. If we have had nine units of capital at work in connection with ten units of labor, and now add a tenth unit of capital, what we wish to know is to what extent the presence of that last increase enlarges the consumable income of society. There are two minus quantities and a plus quantity to be taken into account. Because of the presence of the tenth unit of capital, the nine units which were there before, and which had all the labor of the society working in connection with them, are less intensively used. The labor must now apply itself to ten units of capital instead of nine, and the yield that is now secured in connection with the original nine units is somewhat less than it was.

There is a second minus quantity to be taken into account, in that the tenth increment of capital consists of goods—or of those additions to goods which I have termed "capital elements"—and that these wear out in the using. The wasting tissue of the final increment of

[1] Page 259 of this *Journal* for February last.

capital is negative product,—an outgo instead of an income.

As against these two minus quantities we offset the entire plus quantity which the presence of the new capital elements insures, and we find that it surpasses the sum of the two other quantities, and affords a net income, which is the product of a marginal unit of capital. It is not the gross product of marginal capital goods, for the reason that a part of that product is a mere offset for a waste, and is not a net product at all. The product of an instrument may be described as a gross amount which the presence of it brings into existence, regardless of the fact that during the use of the instrument a certain amount goes out of existence. When we turn our attention to the abiding stock of such instruments, we naturally find only a net product. Out of the stock something is going, into it something is coming, and in so far as the quantities are equal, the result is simply the maintenance of the stock. There is a further amount which comes into existence which is not offset by any loss, and may be taken for consumption without rendering the permanent stock smaller. It is by reason of this simple and obvious fact that the product of the permanent stock or of capital may always be regarded as net. It is measured by the resultant effect which the presence of a unit of it has on the total product of industry.

Having in view the essential points concerning the waste and replenishment of the substance of capital, one may say that a product available for consumption must be a new creation, something not taken out of a stock of wealth already in existence. Whatever waste the mass of capital undergoes must be made good before such a product as this can emerge. If we pump water into a leaky conduit in order to get for use the stream that is made to flow out of the farther end, whatever is lost by

the way must first be supplied before any overflow whatever will occur. Anything which is put in, in addition to what is required for such replenishment, will overflow and be available for use. The income that emerges from the workshops, in excess of what is required to keep the shops and their contents intact, is the only product available for consumption; and that is the one with which in the present study we are concerned. It is the only product that we can impute to the self-perpetuating mass of capital goods. Both waste and replenishment of the material of the stock are antecedent facts,—prerequisites which are fully understood.

The point thus raised illustrates exceedingly well the importance of distinguishing between a treatment of a stock of instruments of production which abides in spite of waste and particular instruments which are continually going to destruction. In a complete study it is necessary to include both of them, as I have endeavored to do; but it is never necessary or admissible to confound the two sets of problems, and it is eminently undesirable to try to discuss both in the same breath.

My critic raises the question how we know that there is any net profit whatsoever. Why may it not be that all that capital goods produce is required as a mere offset for what they lose in the course of production? It can scarcely be that he questions the fact that capital itself does thus yield a net product; and it can hardly be that he questions the conclusiveness of such evidence of this fact as common experience and observation afford. If I may venture to refer to a bit of my own experience, I would say that, as a partial owner of a plough factory, I once discovered that it was necessary to restore certain emery wheels after three or four days of use, belts for conveying power after a year or two, and various machines after periods varying from ten years to a man's lifetime.

In a rude way it was as though, from the money received for ploughs made in a day, it was necessary to buy one emery wheel, a half of a belt, the one-hundredth part of a power hammer, a two-thousandth part of a drop press, and so on. And I further discovered that, after this and all other necessary replacements had been made, there were ploughs enough in the warehouse and ready for sale, as the product of the day's industry, to provide, in case they should all be sold, wages of labor, including the labor of superintendence, and a return to capital besides. I venture to claim that such citations as my work contains of facts of this kind may be adequate to support a claim the correctness of which will nowhere be questioned. A day's use of capital normally provides for the day's waste and pays interest besides.

In an extended passage my critic claims that I have made a grave omission in that, in settling the problem of dividing the present accruing fruit of industry between the capital and the labor at present utilized, I have not also gone into the past, and raised and settled the question as to how that labor of the past which created the goods now in use received its reward. Of course, it is necessary, at some point in the study, to consider the manner in which making of instruments of production receives its reward, and I am not able to see that I have omitted that point from consideration. In the passage I have cited, in which the function of the group which produces goods described as H''' is referred to, it appears to me that I have indicated the manner in which instruments are made and the manner in which their makers get their pay. My critic, indeed, has, in a spirit of fairness, refrained from accusing me of a total disregard of this problem, but intimates that I have not adequately treated it. The point really in question, however, is not whether I have adequately discussed the manner in which the making of in-

struments in the present, with a view to replacing those which are at present wearing out, gets its reward. My critic asserts that I have not studied at one and the same moment the industry of two different periods and thrust into the midst of a study of the manner in which the product of to-day's industry is divided a study of some income accruing to the labor of yesterday or of last year.

It may fairly be said that it is legitimate for any one to discover and state the manner in which the present stock of capital goods gets its return out of the present outflow of useful goods from the mills and shops. A certain income is now in process of accruing in consequence of something that is now in process of going on; and the question how that is actually divided between different claimants is the one in which industrial classes in the whole world are at loggerheads. The socialists think that labor should have the whole of it, and laborers generally think that they should have more of it than they get. There is a lack of clear perception as to how much capital gets, and why it is entitled to a share. All this has to do with the claims of a present force of laborers as compared with those of an existing stock of capital goods, or, as it is more briefly and commonly expressed, existing capital. In this problem, we have not to do with past functions or past claims, tho these also may be and, at the proper point, should be satisfactorily studied. It is the division of the constantly accruing outflow of consumers' wealth which troubles the world, has troubled economists, and is not only a legitimate, but an extremely necessary subject of separate investigation. If the isolating method of study which removes some things from the field, in order that other things may be considered by themselves, has ever an opportunity of revealing its excellence, it is in avoiding such confusion as must come from injecting into the problem of the present, as just described, another problem taken from the past.

Let us admit, however, that, when the main problem is solved and all present labor, including the labor of making instruments, has been fully taken into account, it is legitimate to ask how the labor of making the instruments already in existence has received its reward. We shall then find it necessary to notice a number of points, one of which is that the instruments now in existence were made not altogether by labor, but by labor aided by capital, and that the wealth represented by these instruments had to undergo, in its day, exactly the kind of distribution between different claimants that the wealth accruing in the present undergoes. My critic speaks as tho the problem of present distribution had to do with three factors, namely: labor in the present, which is using instruments; secondly, instruments in the present; and, thirdly, labor of the past which made the instruments of the present. The labor of the past, however, used instruments of the past, and, if we should resign ourselves to so much confusion as would come from considering two different periods at once, we should find that we had four factors to consider instead of three. It is proper, as an independent study, to trace present effects to their remote causes; but it is evidently undesirable to do it in the very act of solving that problem of to-day with which we are directly concerned.

In a full study of distribution it is necessary to take account, not only of the replenishment of the waste of substance which capital undergoes, but of the creation of new capital. It is a practical fact that capital is increasing in amount; and this means that new instruments, or capital elements, are coming into existence which are not designed merely to replace others which are wearing out, but are intended to serve as an addition to the number of instruments, or capital elements, which are hereafter to be maintained. That, however, is a phenomenon of

economic dynamics, and the work which is under criticism has restricted itself entirely to problems of economic statics. The assumption made in this latter department of the theory is that neither capital nor labor is increasing in quantity, and that the sole problem which has here to be solved in connection with them has to do with the productive activities and returns of these two agents as they now exist, and on the supposition that, in amount, they neither increase nor shrink. It is necessary to see how each of them is made safe from shrinkage by the renewing of whatever wastes away. Net additions to the abiding force of men or the abiding stock of instruments are, for the time being, not in sight.

My eminent critic takes very strong issue with my claim that it is the function of capital to synchronize industry and its fruits, to enable the laborer of to-day to get finished products of to-day in consequence of his present labor. The issue affords another illustration of the importance of making a distinction between what is true of a self-perpetuating fund of instruments and what may be asserted of the particular instruments which enter into that fund. "Is the coat which the tailor delivers to me to-day," asks my critic, "fashioned with the co-operation of a shepherd who is *to-day* driving sheep to pasture, of a spinner who *to-day* is spinning yarn, of a weaver who *to-day* is weaving cloth on his loom? The undeniable fact is that my coat has been fashioned with the co-operation of the shepherd of a past period. He alone supplies the wool for *my* coat: so of the spinner, the weaver, and the like. Society does not enjoy, in the shape of completed coats, the product of the laborer who is now tending sheep. Society must wait as many days, months, or years as are inevitable in the processes of production which transform the raw material, wool, into the completed coat." [1]

[1] At p. 268.

Must society, *in order to get what it wants*, actually wait as many days, months, or years as are inevitable in the processes of production which transform wool into the completed coat? If what society wanted were the particular coat that will, at some time, be made out of the wool that is now on the back of sheep at the present time roaming over the hills, it would have to wait for it. It certainly will be some months before what now clothes the sheep in the form of wool can clothe a man in the form of a coat. If society does not insist on the coat made of that particular wool, but wants a coat made of some wool equally good, it can have it to-day, and that, too, in consequence of the labor of to-day. If I pump water into a conduit for the sake of getting water from the remote outflow, I shall certainly have to wait some time *if what I want is the particular drops of water which I am now putting into the upper end of the conduit.* If I am not particular as to the identity of the drops, I can have the water I need at once. Pumping water in at one end will cause an outflow at the other. And this is a sufficiently accurate picture of what takes place in industry. Raising wool to take the place of the wool that is used in making my coat has the effect of keeping a stock of wool always intact. It keeps, as it were, the industrial conduit full, so that there need be no breaks in the supply,—no pausing to wait when somebody needs to be clothed. The full conduit of water is an essential condition of an uninterrupted outflow; and a perpetual supply of wool is in like manner an essential condition of perpetual supply of coats. I am able to see no conflict between the two sets of facts here stated. If we want the water at this moment pumped into the conduit, we shall have to wait for it. If we merely want water, we shall not have to wait for it. If we want the coat that will at some time have been made out of the wool that is now on the sheep's back, we shall have to wait for it; but,

if we merely want a coat, we shall not. Moreover, the securing of the water which flows out of one end of the conduit is "by the co-operation of"—to use my critic's term—the man who is pumping at the other end. The securing of the coat made of wool taken out of the existing stock is by the co-operation of the man who is raising other wool to take the place of it. Since the continuity of the output of coats depends on the replenishing of the stock of wool and the keeping of an undiminished amount on hand, there appears to be no doubt or disagreement as to either set of facts; and it is as scientific to treat of one as to treat of the other. What is necessary is to make very sure, in discussing either set of facts, whether what we have in mind as a productive agent is a particular instrument of production, or capital good, or an abiding stock of such goods, which is capital. In connection with a particular bit of raw material and the finished product which will ultimately grow out of it, waiting is certainly necessary. In connection with a self-perpetuating stock of such goods it is no more necessary than, in pumping water into one end of a full conduit, it is necessary to wait without drinking till that same water flows out from the other end.

There are various secondary criticisms of my work to which I may refer; tho it is my belief that a reading of the work itself and of a forthcoming one, which will include some study of the dynamic problems, will afford the answer to them. As a general criticism, Minister von Böhm-Bawerk accuses me of liking to "sow with capital goods and reap with capital." Construed as I should construe them, these words afford a good description of what practical men are doing and of what a theorist has to study and describe. The men make instruments and set them working, which is sowing with capital goods. They keep the stock of instruments intact, and thus enable

the products of all industry of to-day to emerge to-day in useful forms; and they thus reap with capital.

In the first of his articles my critic cites a statement of mine to the effect that, when one set of bodies perishes and another replaces it, we say that capital continues; and yet it is only an abstraction that has literally a continuous existence, and he brings that statement into what looks like a dangerous juxtaposition with another quotation which asserts that capital never exists as a mere abstraction. If these terms be interpreted in the generous manner in which elsewhere my critic has interpreted statements, there will not be discovered in this paradox any meaning that is inconsistent with facts. If we look at the stock of capital goods now existing, and do not include land as one of them, we shall see that not a single one has more than a transient existence; that the value embodied in them has a permanent existence, but not because it will ever exist in a disembodied state. When it doffs the present material embodiment, it will take on others, and it will exist forever, not as immaterial value, which is a mere abstraction, but as embodied value, which is something more than an abstraction. This situation introduces us to one fact, which it is well at this point briefly to notice; namely, that an abstract mode of describing capital is one which is most prevalent in common speech. There is as little danger that business men will ever, in their own minds, reduce capital to an abstraction as there is that they will reduce it to immateriality in literal fact, by destroying their mills, tools and materials. They know that such things are always on hand, and it is their very decided purpose that they shall continue to be so. Yet they describe capital as a value, a fund, a quantum of wealth, because this merely quantitative description sufficiently conveys to their minds the idea of a very literal and material thing, which abides in spite of changes in its

composition. "Money invested in" capital goods of an exceedingly concrete sort will always be present. The practical man is not deceived as to such facts; and, if we shall emerge from a period of controversy over the terms in which a recognized truth shall be described, it will be safe for a scientist to follow their example and speak of capital as a permanent value in a shifting corporeal embodiment.

Leaving detailed criticisms to be considered by such readers as may chance to see the forthcoming work, in which, perhaps, some of them may be more fully met than in the one under discussion, I would say, in conclusion, that I dissent from the view which appears to assume that because certain things connected with abstinence and the psychological valuations of present and future are true, facts concerning the productivity of capital are not true. I am far from rejecting those truths which I find in my critic's epoch-making work on Capital and Interest. I find them, indeed, affording one possible mode of approach to a productivity theory. Facts concerning abstinence supplement those concerning the productive action of the capital which is the reward of abstinence, and the facts about individual capital goods, which originate and perish, supplement in a like way truths about that continuing procession of such goods which is otherwise termed permanent capital. A theory based primarily on the one set of truths gains rather than loses by a full recognition of the other.

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THE STREET RAILWAY QUESTION IN CHICAGO.

On April 2 the people of Chicago, by a decisive vote, agreed to certain ordinances which mark a turning-point in the street railway history of that city, and provide at least a temporary settlement to a controversy that dates back for more than forty years, and has been actively contested for the past decade. The story of this long-continued struggle is important, not only because Chicago is the second largest city in the country, but also as part of the larger contest that is being carried on, more or less openly, in most of our American cities. And the arrangements in these Chicago ordinances set a new standard in the relations between street railway companies and public authorities that will have an effect throughout the United States.

In relating this story, it will be necessary, in order to understand some of the most recent events, to begin with the earliest street railways in Chicago. But the early history and the first stages of the more active contest will be discussed briefly. The greater part of this paper will deal with the events of the past ten years, and more particularly with the final steps and the terms of the settlement that has been made. The contest has important political aspects; and to some these have seemed more important than the transportation problems. But in this account, while some attention will be given to the political bearings, the emphasis will be laid on the legal, economic, and administrative features.

I.

The earliest attempts to furnish cheap local transportation in Chicago, as in other cities, was by means of omnibuses operating on regular lines of travel. The first omnibus line of which there is any record was established in 1850, when the city had a population of 28,000, and ran from the business centre to Lincoln Park. Other lines were established in the years following; and by 1855 there were altogether ten omnibus lines in operation, covering an aggregate distance of 18¼ miles. At first each line was begun by different managers; but in 1855 the operation of several lines was consolidated under the management of Franklin Parmalee & Co. For a few years more the omnibus traffic continued to develop; but with the opening of street railways it rapidly declined. By 1861 only two omnibus lines were in operation; and by 1865 all had been discontinued.[1] More recently a few new omnibus lines have been established, but these form a negligible factor in the means of passenger transportation in the city of Chicago.

A local student has discovered a newspaper notice of a local grant authorizing the construction of a street railway in Chicago as early as 1854. And there is official record of a council ordinance of 1856, granting a street railway franchise. But no action was taken on either of these; and the latter was forfeited by the failure to secure the required consent of the owners of adjacent property. The first effective ordinance for the construction and operation of street railways in Chicago was passed by the city council, August 16, 1858. As the terms of this ordinance were involved in the recent litigation and settlement, it is of especial importance to understand its contents

[1] George B. Goodwin, *Chicago Street Railways*. A manuscript essay in the possession of Professor J. H. Gray, of Northwestern University.

and significance. It authorized a group of individuals—including Franklin Parmalee, the head of the partnership then operating the principal omnibus lines—to construct railway tracks on certain streets on the south and west, of the Chicago River, and to operate cars thereon "with animal power only" for a period of twenty-five years, and until the city should "elect to purchase" the plant and equipment. A maximum fare of five cents was specified; and the grantees were to pay one-third of the cost of grading and paving streets. The council reserved the right to regulate the rate of speed and the time of running cars. Under this ordinance, tracks were laid, and the first line opened in April, 1859.

Meanwhile a question had been raised as to the legal authority of the city council to grant such a franchise. To settle these doubts and to incorporate the grantees, a special act of the Illinois legislature was passed on February 16, 1859, incorporating the grantees under the city ordinance as the Chicago City Railway Company, for a period of twenty-five years, and authorizing the construction and operation of street railways upon terms and conditions provided by the common council. Authority was also given to extend the lines to any part of Cook County, by the exercise of the power of eminent domain, or with the assent of the supervisor of any township for laying tracks in the highways. The same powers were granted to another group of individuals, as the North Chicago City Railway Company, for the north division of the city and county.

On May 23, 1859, the council passed ordinances granting rights in important streets to both of these companies. The ordinance to the Chicago City Railway Company was, in substance, a reaffirmation of the ordinance of 1858, on the basis of the act of the legislature. The ordinance to the North Chicago City Railway Company for the first

time gave that company rights in specified streets, and differed from the ordinance of 1858 in limiting the grant to the term of twenty-five years "and no longer."

On February 21, 1861, the Illinois legislature passed an act which incorporated the Chicago West Division Railway Company, with the same powers as the two previously established companies, but required the consent of the North Chicago Company before the construction of any tracks in the north division, and authorized the new company to acquire any of the rights of the City Railway Company. In the summer of 1863 the City Railway Company transferred to the West Division Company control over its lines in the west division of the city.

These measures, which form the first stage in the development of the street railway system of Chicago, have been held by the United States Supreme Court to have established clearly the policy of municipal control, and in particular to recognize the right of the city to fix the term during which the streets might be occupied by street railway companies.

That it was the intention of the legislature to give effect to the right of municipal control in the act under consideration [that of 1859] is shown in its confirmation of terms already fixed by contract between the city and the companies. As to the future, companies were to have no right to the use and occupancy of the streets until they should obtain from the city council authority to that end, under contracts to be agreed upon as to terms and conditions. A more comprehensive plan of securing the city in the control of the use of the streets for railway purposes could hardly be devised.

It thus clearly appears, at least up to the passage of the act of 1865, that legislation upon the subject recognized and enforced the right and authority of the city to fix the term during which the streets might be occupied by street railway companies. The legislature had confirmed the ordinance of the city fixing the term at twenty-five years and until the city should see fit to pur-

chase the property of the railway company. It had required the companies to obtain the authority of the city before using the streets, such use to be upon terms and conditions, and with such rights and privileges as the city had or might thereafter prescribe by contract with the companies.[1]

From time to time the council passed other ordinances authorizing new lines of railway tracks and making minor changes in previous grants. In most cases these ordinances contained a definite time limit. Under them additional lines were built; and by 1865 there were forty miles of street railways in the city.

In that year another act dealing with horse railways in Chicago was passed by the legislature, which vitally affected the situation, laid the basis for the extreme claims of the companies in the recent litigation, and more than anything else has been responsible for the long agitation in reference to street railways in that city. This act, passed in February 6, 1865, was amendatory of the previous acts of 1859 and 1861. It clearly extended the corporate lines of the companies to a period of ninety-nine years from the dates of the original acts. It also added to the section authorizing the construction and operation of railways on the terms provided by the council the following confused and ambiguous clause,—

and any and all acts or deeds of transfer of rights, privileges, or franchises, between the corporations in said several acts named, or any two of them, and all contracts, stipulations, licenses, and undertakings, made, entered into, or given; and as made or amended by and between the said common council and any one or more of the said corporations, respecting the location, use or exclusion of railways in or upon the streets or any of them, of said city, shall be deemed and held and continued in force during the life hereof as valid and effectual, to all intents and purposes, as if made a part, and the same are hereby made a part of said several acts.

[1] *Blair* v. *Chicago*, 201 U. S. 400.

Before this measure was enacted, it was strongly opposed in the city of Chicago, and a petition, signed by 9,000 citizens, was presented against its passage. When the bill reached Governor Oglesby, he refused to sign it, and returned it to the legislature with a vigorous message in opposition. But the plans of the companies had been well laid, and the bill was promptly passed over the governor's veto, by a vote of 18 to 5 in the Senate and 55 to 23 in the House.

Under this act the companies have claimed that their franchises were extended to a period of ninety-nine years from 1859 and 1861. And they asserted this claim, not only in reference to grants made before the passage of the act of 1865, but also in reference to subsequent grants. On the other hand, the city always denied the validity of these claims. But for forty years the matter was not brought into the courts where the precise effect of the act could receive a judicial interpretation.

However the act of 1865 might be interpreted, the protest against its obvious intent to assert the authority of the legislature in local matters soon led to a return to the earlier policy of local control and short-term franchises. The new Constitution of Illinois, adopted in 1870, contained a provision prohibiting the legislature from granting street railway rights in any city, town, or incorporated village without requiring the consent of the local authorities. This policy was continued in the general act of 1872 for the incorporation of cities, which required all street railway franchises granted thereafter to be limited to twenty years. This provision became applicable to Chicago when that city adopted the act in 1875. The same end had been secured by a provision in the Horse and Dumny Act of 1874, also limiting future street railway grants to twenty years. And various franchises were granted from time to time under these acts for the further extension of the Chicago street railways.

Under the provisions of the first ordinances and legislative acts, the grants made in 1858 should have expired, or at least have been terminable in 1883. At that time the questions were extensively discussed, and, if claims had been pressed either by the city or the companies, a determination might have been reached. The Citizens' Association appointed a committee to investigate the matter. Two of the three members reported that the original contract made by the city in 1858 was *ultra vires* and void, and that the companies held their rights under the act of 1865. The third member (George F. Harding) argued that the act of 1859 had confirmed the grants made the year before, and that the act of 1865 simply extended the lives of the corporations, holding that any extension of the franchises provided by the act was void as an impairment of the contract previously made.

In view of these circumstances a temporary compromise was effected. The city council in July, 1883, passed an ordinance extending the term of all existing franchises for twenty years, and providing that neither this grant nor its acceptance by the companies should alter the existing rights, duties, and obligations of either party. By this means the controversy over the ninety-nine year act was postponed until the expiration of this grant in 1903. In this same year (1883) a new company, the Chicago Passenger Railway Company, had been incorporated and received franchises for twenty years to build and operate additional lines on the west side.

II.

Until 1880 the street railways of Chicago had been operated with horses, and the business developed had not been sufficient to attract the attention of large financial

promoters. But soon after this date there was introduced, first, cable traction, and, later, electric power. These changes of motive power were made without any new grant from the city council or the legislature, altho the earlier franchises had been given distinctly for railways to be operated only by animal power. And in connection with the new methods of traction and the reconstruction of the lines there appeared on the scene new managers, new financial interests, and striking methods of speculative financiering.

Cable traction was first established in 1881 on the most important lines of the City Railway Company on the south side. In a few years a large proportion of the lines of this company had been converted to the new system. After 1890, electric power was introduced on many of the lines. In connection with these improvements large issues of stocks and bonds were made from time to time. In 1880 the total capital liabilities had been \$1,500,000 in stock. By 1897 there were outstanding \$16,600,000 in stock and bonds, against which the plant and equipment on the books of the company represented an investment of about \$11,600,000.[1]

But these transactions appear small in comparison with those for the north and west side lines. Here the original companies were dilatory in taking steps to introduce the new methods, and no active steps were taken until 1886. Beginning in that year, Mr. Charles T. Yerkes, a broker who had recently come to Chicago from Philadelphia, with the assistance of Messrs. Elkins and Widener and other Philadelphia capitalists, secured control of a majority of the stock of the North Chicago and West Division Companies. Two new companies were organized which leased the lines of the original companies and also those of the Chicago Passenger Railway. New securities were

[1] *Report of Investigation by the Civic Federation* in *Municipal Affairs*, vol. v.: 439.

issued, and physical improvements, reconstruction, and extensions were carried out. As a result, at the end of ten years (in 1897) the total capital liabilities of the north and west side lines had been increased from less than \$8,000,000 [1] to \$58,700,000. The cost value of the plant and equipment at the latter date, according to the books of the companies, was \$29,750,000, and this included a large profit to inside construction companies formed by the leading capitalists controlling the companies owning and operating the lines.

Combining the financial operations of all these companies, the total capital liabilities had been increased from \$9,500,000 to more than \$75,000,000 in 1897, while the original cost of construction had been but little over \$40,000,000.[2]

In carrying out his extensive schemes, Mr. Yerkes had deemed it advisable to exercise an active but, so far as possible, a secret influence in political affairs. He became the dominant factor in nominating conventions, and had control over both city and State governments, so far at least as his business interests were concerned. And the period of his dominance, in the early nineties, marks the deepest degradation of both the city council of Chicago and the State legislature of Illinois. His success up to this point encouraged him to enter on more far-reaching plans. But these very plans served at last to arouse the public opinion of the community and to inaugurate an effective movement for the betterment of political conditions both in city and State.

In 1895 bills were introduced and passed in the legislature to confer new franchise rights more valuable than could be granted by the council. These were, however, blocked by the veto of Governor Altgeld. Two years later,

[1] Even this was much in excess of the cost of construction up to that time.
[2] *Op. cit.*

with a more pliant governor in the executive chair, the attempt was renewed. A series of bills known as the Humphrey Bills were introduced, comprising franchises for fifty years with no safeguards for the public interests and no compensation for what were now clearly seen to be privileges of immense financial value. But public sentiment in Chicago was now thoroughly aroused, and was vigorously expressed in a series of public meetings. The protests were carried to the legislature, and were, in part, effective by preventing the passage of the original bills. There was enacted, however, with the approval of the governor, the Allen Law, authorizing city councils to grant street railway franchises for fifty years' periods and in other ways strengthening the position of the companies.[1]

A short time before this the city council of Chicago would have readily granted franchises under the Allen Law. But in 1896 the Municipal Voters' League had been organized, and had already improved the general character of the council by securing the election of better men. Other members who might have been subject to improper influences knew that their actions were more closely watched than formerly. The attitude of Mayor Carter Harrison, Jr., in opposition to any grant under the Allen Law, also aided in preventing any action. Not only was no grant made, but it was clearly indicated that no further grants would be made until that law was repealed. In the legislative elections of 1898 the vote on the Allen Law was made an issue in many districts, and a large number of members who had voted for the law were defeated for renomination or re-election. And the law was promptly repealed by the legislature of 1899.

At the April municipal election of 1899, following the repeal of the Allen Law, Mayor Harrison was re-elected

[1] J. H. Gray, *Quarterly Journal of Economics*, October, 1897.

for a second term; and, mainly through the work of the Voters' League, the council had now a clear majority of members that could be trusted to vote against any franchise that did not protect the interests of the community. Under these circumstances, Mr. Yerkes decided to retire. The Chicago Union Traction Company was organized by the Elkins-Widener-Whitney syndicate, which took over Mr. Yerkes's holdings and entered into new leases with the underlying companies to operate both the north and west side lines. This eliminated Mr. Yerkes from the situation, but the process of financial manipulation continued.

At the same time the companies definitely adopted the policy of refusing to make further improvements in the service on the ground that capital could not be secured without additional franchises. The cable lines were clearly antiquated, the track and rolling stock were allowed to deteriorate, with the obvious purpose of forcing the grant of a new franchise on terms to be dictated by the companies. Later events showed clearly that there was no justification for the plea that improvements could not be made without new grants. For in two of the three divisions of the city the companies, under their original franchises, could not be dispossessed until they were paid full value for their plant and equipment. Moreover, the companies maintained at the same time their claims under the ninety-nine year act, and on the basis of these claims and the constantly increasing traffic were actively engaged in floating new securities and piling up the obligations on their rapidly deteriorating equipment. An elaborate investigation, made under the direction of the Civic Federation in 1901, showed that the aggregate capital liabilities of the companies had then a face value of $117,000,000 and a market value of $120,000,000,—an increase of more than $40,000,000 since 1897. At the same time the

original cost value of assets was $56,000,000,or $15,000,000 more than in 1897. Making conservative allowances for depreciation, the market value of the assets was but $45,840,000; and, if the inter-company obligations representing no physical property were deducted, the net value of the physical property was only $34,750,000.[1]

III.

In the early stages of the contest with Mr. Yerkes and the companies, the energies of public-spirited citizens and the local authorities had been directed to the negative task of defeating the plans of the former for extending and making more secure their control over the local transportation service and the political situation. The development of a constructive policy was a task of even greater difficulty, and one that has taken a good many years to bring to its present outcome. The first step in this direction was the appointment by the council, late in 1897, of a special committee to collect and collate information on the subject of street railways. This committee in March of the following year submitted a detailed report on the franchises, operations, and finances of the various companies, and on the wages of employees and the conditions of employment. It made no specific recommendations;[2] but, nevertheless, this report, known as the Harlan report, from Alderman John Maynard Harlan, the first member of the committee, forms the starting-point for the policy later developed.

Another step was taken in December, 1899, when the city council passed resolutions creating a Street Railway Commission, which was in fact a committee of the council

[1] M. R. Maltbie, in *Municipal Affairs*, vol. v. p. 450.

[2] *Report of the Special Committee of the City Council of Chicago on Street Railway Franchises and Operations*, March 28, 1898.

to examine the feasibility of municipal ownership of street railways and also the terms and conditions on which new franchises might be granted. This Commission, of which Alderman Milton J. Foreman was chairman, submitted its report in December, 1900, known commonly in Chicago as the Sikes report, from Mr. George C. Sikes, the Secretary of the Commission. This report favored, among other things, the unification of management of all street railways in the city, the prohibition of overcapitalization, publicity in the conduct of the business, and the reservation of broad powers of control by the city in any future franchises. It also urged that the city should secure from the legislature an enabling act authorizing municipal ownership, as a reserve power to place the city in a better position to make terms with private corporations.[1] A bill to carry out these recommendations was submitted with the report, providing for a popular referendum on street railway franchises, authorizing municipal ownership, and—after a referendum vote—municipal operation. The bill was introduced in the legislature in 1901, but was not reported by the committees of either House.

Carrying out one of the recommendations of the Commission, the city council in 1901 created a special Committee on Local Transportation. After the election of April, 1901,[2] this committee was made a permanent standing committee; and this committee, with changes in its membership from time to time, has had charge of the subsequent development of the municipal policy. As a result of its first year's work, the committee formulated and submitted to the council an outline of the provisions that should be included in any franchise renewal ordinance. This outline specified that

[1] *Report of the Street Railway Commission to the City Council of Chicago*, December, 1900.

[2] At which Mayor Harrison was elected for a third term.

such a franchise should be granted for twenty years, with a proviso that the city might purchase at any time after the expiration of the first ten years of the grant. It further provided that the companies should waive absolutely all claims under the ninety-nine year act. And it reserved to the city council large powers of control, and required the construction of underground trolley lines in the business centre of the city. Nothing definite, however, was accomplished. The companies were not ready to accept these terms. And the city authorities were also willing to wait until the expiration of the twenty-year extension ordinance in 1903.

While the official authorities of the city were thus preparing for a renewal of the franchises, popular sentiment was advancing more rapidly in favor of the policy of municipal ownership. And the strength of this sentiment was clearly shown at a popular referendum in April, 1902. This vote was taken under an Illinois statute of 1901, known as the Public Opinion Law, under which, on petition of 25 per cent. of the registered voters, questions of public policy may be submitted to popular vote. These votes have no legal binding effect, but are merely an indication of popular opinion. Before the spring election of 1902 the Referendum League secured the required number of signatures to a petition calling for a vote on the questions of municipal ownership of street railways and lighting plants and the direct nomination of candidates for city officers. At the election the total vote cast for city officers was about 200,000, or a little more than half of the vote cast at the preceding Presidential election. The vote on the questions of public policy was about 170,000, and was about seven to one in the affirmative on each of the three propositions. In regard to municipal ownership of street railways the actual vote was 142,826 in favor and 27,998 against.

There has been much difference of opinion as to the significance of this vote. On its face it indicated an overwhelming popular demand. But it has been pointed out that the vote in favor of municipal ownership represented little more than a third of the total registered voters, and it has also been urged that it simply expressed the general hostility to the traction companies that had been aroused by their poor service and policy of exploitation. However the vote may be interpreted, there can be no question that it gave a renewed impetus to the demand for an act authorizing municipal ownership. To this end efforts were next directed, and in these efforts there were united both those who favored the actual establishment of a municipal system and those who desired the authority as a means of negotiating with the companies.

At the beginning of the legislative session of 1903 the prospects for any legislation opposed by the street railway companies were far from bright. Especially in the organization of the House of Representatives, the election of speaker, and the appointment of the Committee on Transportation, it was indicated that the street railway companies were working in harmony with William C. Lorimer, the boss of the Republican machine in Chicago, and with Governor Yates. Nevertheless, it was decided to make the attempt. An agreement was reached to support a measure drafted by Walter L. Fisher, secretary of the Municipal Voters' League, and introduced by Senator Müller, after whom it was named. This bill was strongly supported, not only by Mayor Harrison and the city council, but also by Graeme Stewart, Republican candidate for mayor in the election campaign of that spring, by John Maynard Harlan, who had been Mr. Stewart's active opponent for the nomination, by the Voters' League and other organizations, and by the newspaper press of Chicago, with the exception of the *Inter-Ocean*, which, it was known, had

been purchased by the street railway interests. As a result of this influence, the Müller bill passed the Senate immediately after the municipal election in April;[1] but it seems to have been clearly the intention to defeat the measure in the House.

The contest culminated in a dramatic situation of the highest intensity. The House Committee on Transportation, to which the Müller bill was referred, prepared a substitute measure, and a strong effort was made to induce at least some of the Chicago supporters of the Müller bill to accept this substitute.[2] When this offer was refused, the House leaders decided to resort to extreme measures, as it was known that the Democrats in the House would unite with the Independent Republicans in favor of the Senate bill. The House Committee presented its substitute report, and, in the face of a demand for a roll-call from two-thirds of the members, the speaker put a series of motions, and declared them carried, whereby the substitute bill was recorded as having passed its third reading. Had this result stood, a conference committee would have been necessary; and so near was the end of the session that either the substitute bill or no legislation would have been enacted.

But the party leaders had overreached themselves. When, thru fear of personal violence, the speaker declared the House adjourned, and retired in haste to consult with the governor and his friends, ninety-seven of the one hundred and fifty-three members of the House remained in their places, and, forming a temporary organization, agreed that the appropriation bills should not be passed, and no further legislative business should be trans-

[1] Mayor Harrison was re-elected for a fourth term.

[2] There was no opportunity for a study of this substitute bill, but it was obviously intended to defeat the effective provisions of the Müller bill, and probably contained clauses that would have greatly strengthened the position of the companies.

acted until the speaker should retrace his actions. The speaker was forced to capitulate, a reconsideration was taken, and the Müller bill was passed. The governor did not venture to refuse his signature.[1]

The Müller law[2] is a general act authorizing any city in the State to own and operate street railways under the conditions prescribed. The act is of special significance, because, in addition to the formal grant of authority, there is a careful attempt to provide a satisfactory method for meeting the serious financial difficulties involved in the policy of municipal ownership, so that the grant of power may be effectively used by any city which considers it advisable to make use of the authority.

Before any of the powers conferred can be exercised, the act must first be adopted by popular referendum in the city concerned, while additional referendum votes must be taken in reference to various special features of the law. The authority given is "to construct, acquire, purchase, maintain, and operate street railways within the corporate limits"; and franchises granted before this power is acted on may contain a reservation of the right on the part of the city to take over the plant at some future time. Two methods are authorized for securing funds for purchasing or constructing municipal railways. General city bonds may be issued, provided the proposition is submitted to popular vote and is approved by two-thirds of those voting; but debt limits are almost certain to prevent this method from being adopted. The other alternative—and this is the most striking feature of the act—is to issue street railway certificates, secured by a mortgage on the plant, giving the mortgagee in case of foreclosure the right to maintain and operate the railway for a period of not more than twenty years. Any ordi-

[1] *Atlantic Monthly*, January, 1904.

[2] *Session Laws*, 1903, p. 285 (May 18).

nance providing for such certificates must, however, be submitted to popular vote and be approved by a majority of those voting on the question. It is expected that such certificates will not be considered as part of the city debt, to be included within the debt limits established by the State constitution.

When a city has secured a street railway, it may operate it under direct municipal management only if that policy is also approved at a popular referendum by *three-fifths* of those voting. In lieu of this the city may lease any municipal railway for a period of not over twenty years. But any ordinance authorizing a lease to a private company for more than five years must be submitted to a popular referendum on the petition of 10 per cent. of the voters.

In July, 1903, the twenty years' extension provided by the ordinance of 1883 expired. But, as no new agreement had been reached at that time and the city was not yet in a position to act under the Müller law, the various companies remained in possession, and there was no practical change in the situation. Indeed, steps had been taken in the courts which prevented the city from taking any aggressive action to oust the companies. On April 22, 1903, the Guaranty Trust Company of New York brought suit in the United States Circuit Court against the Union Traction Company and other north and west side companies; and, judgment being given and no property found, the roads were placed in the hands of receivers. These companies had been in financial difficulties for some time, as a result of the reckless issue of speculative securities. But it has been alleged that the suit was a collusive action for the purpose of having the claims of the companies under the ninety-nine years' act adjudicated in the United States courts rather than in the courts of Illinois. And, at any rate, this result was secured. On July 18 the

receivers appointed by the court began proceedings before the United States Circuit Court to determine the rights of the companies under the acts of 1859, 1861, and 1865.

At the April election in 1904 the Müller Law was adopted by the city of Chicago by a vote of 153,000 30,000. At the same time two questions of public policy bearing on the traction situation were submitted, with the following result:—

1. Shall the city council upon the adoption of the Müller Law proceed without delay to acquire the *ownership* of the street railways under the powers conferred by the Müller Law?

Yes, 121,957; no, 50,807.

2. Shall the city council instead of granting any franchises proceed at once under the city's police power and other existing laws to license the street railway companies until municipal ownership can be secured, and compel them to give satisfactory service?

Yes, 120,863; no, 48,200.

It should be noted that, while both questions carried by a vote of more than two to one, the vote in favor of municipal ownership showed a falling off from the first vote in 1902, while the vote on the other side had increased.

Meanwhile the Local Transportation Committee has continued negotiations with the City Railway Company, and in August, 1904, reported a tentative ordinance in regard to the lines of that company on the south side of the city. According to this measure the claims of the company under the ninety-nine year act were to be commuted by allowing them to continue in possession for thirteen years, after which all their grants were to expire. Provisions were made for the immediate reconstruction of the lines, for extensions, and for improvements in service,

including transfers from the lines of one company to another and some thru routes. The city was to receive 5 per cent. of the gross receipts as compensation for the use of the streets, in addition to all regular taxes on the property and franchises.

While this proposed ordinance was being discussed in the council, Judge Grosscup, of the United States Circuit Court gave his decision in the cases concerning the north and west side lines, substantially upholding the claims of the companies that all grants made before 1875 were valid until 1958. An appeal was at once taken to the United States Supreme Court. But the preliminary decision made the City Railway Company less disposed to accept the compromise in the tentative ordinance. At the same time the popular agitation in favor of municipal ownership was steadily increasing. And, as a result, the winter of 1904–05 passed with no definite advance towards a settlement of the situation.

IV.

In the municipal campaign of 1905 the street railway question was even more prominent than in previous elections, and was, in fact, the one dominant issue. The Republicans nominated for mayor John M. Harlan, formerly an opponent of the bosses of the old party machine and a leader in the council in the earlier stages of the contest with the companies. At the outset of the campaign he seemed to favor the adoption of the tentative ordinance, as a step towards effective ultimate municipal ownership at the end of the thirteen years. But before the end of the campaign he had spoken more definitely in favor of earlier action. The Democrats, abandoning the more conservative policy followed by Mayor Harrison in

harmony with the Republican council, nominated for mayor Judge E. F. Dunne on a platform calling for immediate municipal ownership and operation. This, it was promised, could be inaugurated by using the lines where the franchises had clearly expired; and, in the case of franchises which might be held valid, either by condemnation proceedings or by building new lines parallel to those covered by unexpired franchises.

As the outcome, Judge Dunne was elected by a majority of 20,000. At the same time three more public policy votes were taken, which again indicated on their face the strong popular sentiment against any continuation of the franchise policy. These were as follows:—

1. Shall the city council pass the tentative ordinance? Yes, 64,391; no, 150,785.

2. Shall the city council pass any ordinance granting a franchise to the City Railway Company?

Yes, 60,020; no, 151,974.

3. Shall the city council pass any ordinance granting a franchise to any street railroad company?

Yes, 59,013; no, 152,135.

It soon became clear that there would be little active co-operation between Mayor Dunne and the city council. The council had a Republican majority; but this was not of especial significance, as a number of Republican members favored the mayor's policy. On the other hand, a number of Democratic members were not in favor of immediate municipal ownership and operation. Nevertheless, the council recognized the result of the election by reorganizing the Local Transportation Committee. Alderman Foreman was retired as chairman, and in his place Alderman Charles Werno was selected, a Democrat and a supporter of the mayor's policy. Several plans of procedure were proposed by the mayor; but action on these was defeated or postponed, either in the committee or in the

council.[1] In the latter part of the year, negotiations were again renewed with the representatives of the companies; and a second tentative ordinance was prepared and reported to the council. But this ordinance did not prove satisfactory even to many of those opposed to the policy of immediate municipal ownership. And it was understood that leaders in the Voters' League and the independent newspapers declined to support it.

Under these circumstances the council decided to submit to the voters at the election in April, 1906, the question of authorizing an issue of $75,000,000 of street railway certificates, under the provisions of the Müller Law, with which to purchase or construct street railways; and also the question of municipal operation. At the same time there was submitted, under the public policy act, a general question whether the city should proceed under the Müller Act in preference to passing franchise ordinances. The result of these votes was as follows:—

	Yes.	*No.*
(1) On the issue of Müller Law certificates	110,225	106,859
(2) On municipal operation	121,916	110,323
(3) Public policy question	111,955	108,087

[1] An interesting episode was that connected with the visit of Mr. Dalrymple, general manager of the municipal tramways of Glasgow, Scotland. Immediately after his election Mr. Dunne cabled to the Lord Provost of Glasgow, requesting the Glasgow authorities to allow their tramway manager to visit Chicago. It was afterwards explained that Mr. Dunne had acted on the advice of Mayor Johnson of Cleveland, and that the latter had in mind Mr. Young, the former manager of the Glasgow lines, who by the irony of fate had gone to London to take charge of Mr. Yerkes's new undertakings there. Mr. Dalrymple came to Chicago, saw Mayor Dunne and his friends, but was not brought into communication with the Council Committee on Local Transportation. He did, however, meet some of the representatives of the companies, and looked over the situation in Chicago and other American cities. When his report was received, Mayor Dunne declined to make it public on the ground that Mr. Dalrymple had been his personal guest. Eventually, the council secured a copy of this report thru the Glasgow Town Council. The first report was brief and rather vague, recommending an agreement with the companies on account of the difficulties of municipalization, among which were mentioned the ninety-nine-year act, the methods of municipal work in the United States, and the detached nature of the expiring franchises. A second report, sent at the special request of Mayor Dunne, discussed methods of administration.

The vote on the first question definitely authorized the issue of street railway certificates under the statute. But it has been recognized that there is some doubt whether the courts will recognize the validity of the provisions in the law excluding such certificates from the city debt limit. And this legal question had to be determined before active measures could be taken. The vote on municipal operation, altho showing a larger majority in its favor, was not equal to the three-fifths vote required by the Müller Law; and that part of the mayor's policy was, for the time at least, defeated. The vote on all of the questions showed a large increase over the previous referendum votes, a notable decline in the vote in favor of municipalization, and an enormous increase of the vote in opposition.

Just before the election the legal situation was clarified by a decision of the United States Supreme Court, in effect overruling the decision of the Circuit Court as to the rights of the companies under the ninety-nine year act. The Supreme Court decided against some of the arguments presented for the city, denying the jurisdiction of the United States courts and the constitutionality of the act of 1865. But, in interpreting that act, the court held that, while it clearly extended the corporate life of the older companies for a period of ninety-nine years, the ambiguous clause on which the claims to an extension of the franchises were based must be interpreted in accordance with the established principle "that one who asserts private rights in public property under grants of the character of those under consideration must, if he would establish them, come prepared to show that they have been conferred in plain terms, for nothing passes by the grant unless it be clearly stated or necessarily implied." As Chief Justice Taney had said in an earlier case, "The rule of construction in cases of this description . . . is this, that any ambiguity in the terms of the grant must operate

against the corporation and in favor of the public, and the corporation can claim nothing that is not clearly given by the law." [1]

Applying this principle, it was held that "it cannot be successfully maintained that the act of 1865 contains a clear expression of legislative intention to extend the franchise of these corporations to use the streets of Chicago, without reference to the assent of the city, for the long term of ninety-nine years; and for that time preventing other and different legislation restricting the grant of a practically exclusive right."

A dissenting opinion was filed by Justice Kenna, with whom Justices Brewer and Brown concurred, upholding the claims of the companies on the ground that the clause clearly intended to confer such a grant, and that this interpretation was confirmed by the opposition to the act and the arguments presented in Governor Oglesby's veto message.

In discussing some minor points, the court recognized the distinction in the terms of the earliest grants by the city, on which the companies' rights now rested. While on the north side the earlier grants had all definitely expired, on the south and west sides the franchises continued until the city should purchase the plant and equipment.[2]

As a result of this decison, the position of the city was greatly strengthened as against the companies, which had left merely a few detached pieces of street railway line, built under later franchises, and on the south and west sides the right to compensation for their cars and tracks.

[1] *Perine* v. *Chesapeake & Canal Co.*, 9 Howard, 172. Cf. *Chas. River Bridge* v. *Warren Bridge*, 11 Peters, 429; *Binghamton Bridge* v. *Binghamton Bridge Co.*, 3 Wallace, 51, 75; *North-western Fertilizing Co.* v. *Hyde Park*, 97 U. S. 659; *Stidell* v. *Grandgean*, 111 U. S. 412; *Corson Mining Co.* v. *South Carolina*, 144 U. S. 550; *Knoxville Water Co.* v. *Knoxville*, 200 U. S. 22, 34.

[2] *Blair* v. *Chicago*, 201 U. S. 400.

At the same time the local election had committed the city to the policy of municipal ownership, but had also blocked any immediate municipal operation. This situation caused both the mayor and the companies to modify their attitude.

On the mayor's side this change was first indicated by the retirement of Mr. Clarence S. Darrow from the position of special legal adviser on street railway matters, and the appointment to that place of Mr. Walter L. Fisher, who had been secretary and later president of the Municipal Voters' League, and had drafted the original Müller bill. This appointment was followed by a bitter and unwarrantable attack on Mr. Fisher by some of the former opponents of the mayor's policy. But it proved to be one of the wisest steps taken by the mayor, and the settlement which has been adopted is due in very large part to Mr. Fisher. On April 27, 1906, Mayor Dunne, doubtless with the advice of his new counsel, addressed a letter to Alderman Werno, chairman of the Committee on Local Transportation, outlining a plan for a prompt settlement, on the following basis:—

(1) An agreement with the companies for the purchase of their property and unexpired rights at a fixed price.

(2) The temporary continued operation of the lines by the companies under a revocable license.

(3) Immediate reconstruction of the system and improvements in the service, the cost to be repaid when the city should take possession.

(4) Profits, above a fair return to the companies upon their present and future investments, to be divided with the city.

On their part the companies accepted the general principles of this plan. Negotiations were again opened between their representatives and the Local Transportation Committee, with the mayor and his special counsel, Mr.

Fisher, in regular attendance. It is of interest, also, to note that one of the prominent legal advisers in these later proceedings has been John M. Harlan, who was appointed by Judge Grosscup in connection with the litigation and receivership of the north and west side lines, as representative of the court.

A basis for agreement having been reached, one of the most important problems was to determine the value of the existing plant and unexpired franchises. For this purpose a special commission of engineering experts was appointed, consisting of Bion J. Arnold, who had been employed by the Local Transportation Committee for several years, Mortimer E. Cooley, dean of the Department of Engineering in the University of Michigan, who had directed an exhaustive investigation of the physical value of the railroads of Michigan a few years before, and A. B. DuPont, the mayor's engineering adviser. In September the companies submitted their estimates, which aggregated $73,555,000. About one-third of this was for franchises, on the assumption that their remaining rights were equivalent to an average of seven years on all the existing lines. But the Commission's report, made in December, reduced these figures by more than a third. A comparative summary of the two estimates is given below:--

	Physical Property.	Franchises.	Total without Paving.	Total including Paving.
Chicago City Railway:				
Company's valuation . .	$20,103,936	$10,332,228		$30,436,164
Commissioners' valuation .	16,782,147	3,754,363	$20,536,510	22,369,068
Chicago Union Traction Co.:				
Company's valuation . .	$29,294,471	$13,825,040		$43,119,511
Commissioners' valuation .	20,853,629	5,262,608	$26,116,237	28,625,714
Both companies:				
Company's valuation . .	$49,398,407	$24,157,268		$73,555,675
Commissioners' valuation .	37,635,776	9,016,971	$46,652,747	50,994,782

The commissioners' valuation for physical property was about $10,000,000 more than the valuation determined in an investigation by the Arnold Company in 1902. This was due in part to the increased price of materials on which the estimates were based, and in part to new equipment that had been added since the earlier valuation. In other respects the valuation must be considered as fairly liberal to the companies. The physical property was valued on the basis of the cost of reconstruction at existing prices, less allowances for depreciation. The cable roads on the south and west sides were valued as operating lines (although it was evident the plant must be discarded in the reconstruction work) in recognition of the fact that the companies had a legal right to operate these lines until purchased by the city. On the other hand, the north side lines, where the city was under no legal obligation to purchase at all, were estimated at the value of the equipment in a reconstructed system. Whether the city should repay the companies for street paving was left an open question in the commissioners' report. The franchise values were determined by estimating the unexpired franchises not as detached lines, but as part of the existing systems. And to this were added the estimated profits on all the existing lines for a period of eighteen months, which period, it was estimated, would elapse before the city could take possession of the property by eminent domain or other compulsory proceedings.

In the end the representatives of the companies agreed to accept the round sum of $50,000,000 for the physical property and existing franchise rights. This was practically the Commissioners' figures, allowing the companies the greater part of their claim for street paving. A comparison of this amount with the capitalization of the companies ($117,000,000 in 1901) shows to what extent the capital had been inflated on the basis of the claims under

the ninety-nine year act. Indeed, three-fourths of the stock and bonds of the north and west side lines have now no substantial value.

While these valuations were being determined, negotiations proceeded on other points. Arrangements have been made for the reorganization of the companies in the hands of receivers and for the organization of a new company—the Chicago Railways Company—to take over the operation of the lines and furnish capital for the rehabilitation of the whole system. The cable roads are to be reconstructed. Subways are to be provided in the business district. Extensions and new equipment are to be furnished. For this purpose it is estimated that $40,000,000 will be needed. It has been provided that this shall be spent under the supervision of three engineers, two of them designated by the city. The companies, however, are to be allowed 10 per cent. as contractor's profit, and 5 per cent. brokerage over the actual cost of construction, if the city should purchase the plant.

Arrangements for the operation of the lines are much more distinctly in the interest of the city and the public than in either of the previous tentative ordinances. The companies are to operate on a license revocable at any time on six months' notice, the city having the right to purchase at the stipulated price of $50,000,000 for the existing plant plus the cost of improvements. All of the lines are to be operated as parts of one system, with a considerable number of thru routes and transfers from one district to another. The city is to have a large measure of control over the frequency of service and supervision over the accounts of the company. And the profits, after paying operating expenses, taxes, and 5 per cent. on the actual investment, are to be divided,—55 per cent. to the city and 45 per cent. to the company. The plan, as a whole, may be called one establishing a

joint partnership between the cities and companies for the control and operation of the street railways.

By the middle of January, 1907, the agreement between the council committee and the representatives of the companies had been drafted in the form of proposed ordinances and submitted to the council. Until the previous month it had seemed probable that the arrangements would prove satisfactory to all parties, and the ordinances might be passed promptly. But in the latter part of December some of the more radical advocates of municipal ownership raised objections, apparently fearing that improved service on the part of the companies would satisfy the public, and that the provisions for municipal operation would not be utilized. It is true that this may be the result. But for the friends of municipalization to urge this seems a confession of weakness in their argument that any system of regulation is bound to fail. Mayor Dunne, who had co-operated in the work of drafting the ordinances, suddenly joined this late movement, which took the form of demanding a popular referendum on the proposed ordinances. Once this demand was made, however, it should have been evident that it must be granted; and the attempt of some supporters of the agreement to oppose the movement was clearly a tactical error. Petitions calling for a referendum were signed by 189,000 names; and it was soon acknowledged that this must be provided.

In a tense and dramatic all-night session on February 4–5, 1907, the ordinances came before the council for action. Some minor amendments were accepted by the committee and adopted. A large number of others presented by the opponents were defeated. Many of these would have been to the interest of the city and the public. But the representatives of the company had declined to accept them; and, in the opinion of the majority of the

council, they were not of sufficient importance to cause the defeat of the agreement that had been reached. Another contest arose on the precise form in which the referendum should be submitted. It is fair to note that the opponents of the ordinance are all classed among the honest, but not always among the most able, members of the council, and that the few remaining "gray wolves" voted with the majority. Chairman Werno and a majority of the Democratic members of the council declined to follow the mayor in his latest change of attitude, and supported the ordinances. In the end the council passed the ordinances by a vote of 55 to 14, subject to the result of a referendum at the municipal election in April. Mayor Dunne declined to sign them; but they were repassed over his veto at the next session of the council.

For two months, from the passage of the ordinances by the council until the municipal election, the question as to their ratification or defeat has been the all-important issue before the people of Chicago. Around it centred the contest for city officials. The Republicans, nominating for mayor F. A. Busse, recently appointed postmaster of the city, strongly indorsed the ordinances. The Democrats, renominating Mayor Dunne, declared in favor of municipalization through condemnation proceedings. But party lines were not strictly followed; and notably a majority of the Democratic aldermen, while supporting their party candidates, were also in favor of the ordinances. Other questions, which it is not necessary to consider here, also entered to some extent into the campaign for city officers. In the outcome the ordinances were approved by a vote of 165,846 to 132,720; while Mr. Busse and most of the Republican ticket were elected by much smaller pluralities.

On April 18 the Supreme Court of Illinois rendered a decision in the case involving the validity of the Müller

Law certificates, and held that these certificates must be included as part of the city debt, inasmuch as they were to be guaranteed by a right to operate street railways as well as by the physical property of the roads. This ruling, with the existing limitations on city debt, make it practically impossible for the city to purchase or build a strictly municipal railway without a change in the state constitution; and the provisions in the new agreement for municipal purchase will therefore be inoperative. It will be possible, however, under the agreement, for the city to transfer the rights to other licensee companies, on payment for the value of the property, with 20 per cent. in addition, if transferred to another profit-making company within twenty years.

V.

In attempting to draw some general conclusions from this contest, which rivals in duration and interest the Trojan War, it is necessary to emphasize some points that are likely to be overlooked, if attention is paid only to the latest stage in the conflict. In the first place, the duration of the controversy is evidence of the tenacity of purpose on the part of the people of Chicago in resisting the efforts of the financial promoters to perpetuate their control. The public policy votes on the earlier tentative ordinances showed that no franchise drawn on the traditional American lines would be acceptable.

In the second place, it will be a mistake to assume that the adoption of the present ordinances indicates that the popular demand for municipalization was merely a temporary wave of sentiment, which is now fast receding. The demand for municipalization was indeed aroused by the intolerable service and the hostile attitude of the

companies, and, so long as the companies maintained their former position, municipalization seemed to be the only alternative policy. But it must not be overlooked that the actual vote against the ordinances was almost as large as the first vote for municipal ownership in 1902, and larger than either of the subsequent votes in favor of municipalization. The latest vote indicates that the ordinances have been approved by the action of those who were not willing to vote in former years for municipalization but were also not willing to vote for any of the alternative plans then presented.

In the third place, as stated at the outset, these ordinances set a new standard in the relations between street railway companies and public authorities in this country. They establish on a new basis the old doctrine of public ownership of the streets, and effective public control over any private company which receives special privileges in the public highways. The revocable license is a much more tangible feature than the nominal power of revocation in Massachusetts franchises, as in the Chicago ordinances there are explicit means provided by which the lines can be taken from the companies with whom the present agreement is made. And the division of profits, supplementing the system of public control, makes the city in fact an active partner in the street railway business.

As to the future, the firm believers in and the convinced opponents of municipalization will each have their own predictions. The writer believes that there is a fair promise that, if the companies carry out their part of the agreement and co-operate heartily with the city authorities, there will be no further steps in the direction of municipalization for many years. But if the service is not brought promptly to a satisfactory standard, or if there should be a revival of the policy of speculative finance or political manipulation, the city will not remain

entirely at the mercy of the present companies. In that case there may be a trial of the so-called "contract plan," by which the street railways would be transferred to a licensee corporation acting as trustee for the city. Or it is not impossible that the State Constitution may be amended to provide an effective means for municipalization.

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BIBLIOGRAPHICAL NOTE.

There is a voluminous mass of printed material on the Chicago Street Railways, but it is widely scattered, and there is nothing approaching a complete collection in one place. Among primary sources may be mentioned the official records of the Illinois State legislature and the City Council of Chicago, and the judicial reports on the litigated questions. The most important documents have also been reprinted, and in addition there have been scores of pamphlets and articles in periodicals. A list of documents, pamphlets, and longer articles, excluding items in the daily and weekly press, would contain more than a hundred titles, and only the more important among them are given in the following list.

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Review of Reviews, vol. xxxiii. 549.

Three collections of material of special value should be noted: (1) that of Professor John H. Gray, of Northwestern University (the best single collection), which includes the voluminous record of the Circuit Court proceedings, two large bound volumes of documents and miscellaneous pamphlets, and a manuscript thesis by George B. Goodwin on "The History of the Chicago Street Railways"; (2) that of the John Crerar Library, which includes a bound volume of documents, pamphlets, and newspaper clippings connected with the Humphrey-Allen Bills of 1897, by George E. Hooker, a box of pamphlets, and also other documents separately catalogued; and (3) that of the City Club of Chicago, which includes two boxes of miscellaneous documents and pamphlets. While there is some duplication each of these contains important material not in the others. There are, in addition, a good number of pamphlets and special reports not in any of these collections.

THE READJUSTMENT OF SAN DOMINGO'S FINANCES.[1]

THE convention between the United States and the Dominican Republic, ratified by the United States Senate on February 25, 1907, and now awaiting the approval of the Dominican Congress to become operative, marks a phase in the history of that much-disturbed island republic. Nominally providing for "the assistance of the United States in the collection and application of the customs revenues of the Dominican Republic," the real significance of the instrument for San Domingo is financial readjustment, economic regeneration, and political stability, made possible thru the good offices of the United States.

I.

The modern experience of the Dominican Republic may be conveniently dated from the energetic movement to effect its annexation to the United States in 1869-70. The thirty-five years since elapsed can only be described as a miserable succession of revolution and anarchy, interrupted by ruthless and blood-stained dictatorships. From 1871 to 1882 Cabral, Baez, Gonzales, and Luperon alternated in control, their struggles being marked by uprising, ravage, and bloodshed, and terminating invariably in social demoralization and economic ruin. In 1882 Ulises Heureaux came to the fore, and the next seventeen years tell the story of his uncontrolled dominance. The country was at peace; but

[1] The editors deem it proper to say that in the negotiations and final adjustments described in this paper Professor Hollander took a leading part.

it was the hush of a merciless terrorism, not the quiet of civil government. The seeming well-being which prevailed was attained by bartering the resources of the country in prodigal concessions and by discounting the future in reckless debt accumulations. With Heureaux's assassination in 1899 came the deluge, and the next six years constitute a climax, even in the history of Latin-American politics. Figuereo, Vasquez, Jimenez, Vasquez again, Woss y Gill, and Morales successively occupied the presidential chair, each attaining it by much the same means and holding it by as uncertain tenure. The country was laid waste, the people crushed to hopelessness, the treasury left in utter bankruptcy, and a host of creditors, foreign and domestic, after tightening their hold upon the future, became more and more insistent in the present.

In January–February, 1905, in face of imminent likelihood of foreign intervention, the protocol of an agreement, providing that the United States should adjust the Dominican customs for the benefit thereof, was arranged between the two countries. Much opposition developed in the United States Senate to the ratification of the instrument, and, altho reported favorably with amendments by the Committee on Foreign Relations, adjournment was eventually had on March 11, 1905, without final action thereon. To preserve the *status quo*, more than ever critically threatened, an *interim* arrangement was effected, providing for the collection of the Dominican customs revenues by a person designated by the President of the United States, and for the segregation, for the ultimate benefit of creditors, of 55 per cent. of the proceeds in an American depositary similarly designated. This temporary arrangement went into effect on April 1, 1905, and has since continued in operation.

On March 24, 1905, the present writer was instructed by President Roosevelt to proceed to San Domingo, to investigate the financial condition of the Republic. Careful examination was made of these matters in the succeeding months; and on October 1, 1906, a detailed report was submitted upon the origin, the amount, and the validity of the public indebtedness.

II.

The history of the modern indebtedness of San Domingo is almost entirely comprised within the past thirty-five years. The origin of a few claims may be traced even further back; but, in the main, 1869 is the starting-point of the recent financial as of the political history of San Domingo. With respect to the growth and the status of the debt this term of thirty-five years falls naturally into three periods: (1) 1869–87, the genesis of the debt; (2) 1888–97, the decade of bond issues; (3) 1898–1905, the period of floating debt accumulation. Each of these periods will be briefly reviewed.

(1) The archives of the Dominican treasury give little information as to the Republic's indebtedness in 1869. Two years later, however, the Commission sent to San Domingo by President Grant reported that the aggregate indebtedness for which the Dominican Republic was then in any degree liable, including much of doubtful character, was $1,565,831.59. This very year, 1869, however, witnessed the genesis of the modern Dominican debt in a bond issue ("Hartmont Loan"), which in fiscal recklessness and loose prodigality was a worthy precursor of the later loans of the Republic. Bonds to the amount of £757,700 were actually emitted and sold to the public at rates ranging from 50 to 70 per cent.; but by reason of neglect, fraud, or deliberate

defalcation, only £38,095 was received and accounted for by the Dominican government. On its part the Republic made no direct contribution to the service of the debt; and in July, 1870, the loan contract was formally repudiated by the Dominican Senate. Interest on outstanding bonds was paid until 1872 by the issuing firm out of the proceeds of the bond sales, but in August, 1872, the loan went into default.

From 1872 to 1888 the story of the Dominican debt is the steady accumulation of floating indebtedness. Salaries were left unpaid, claims for injuries suffered during revolutionary disturbances were freely admitted, treasury bills were issued for the purchase of war supplies, and funds for current expenditure were borrowed upon any terms that the greed or the prudence of the lenders dictated. The Hartmont fiasco discouraged any further bond issues; and recourse was had to the merchant lenders of the island, individually or organized as "credit companies," charging interest not infrequently at the rate of 10 per cent. a month, compounded monthly.

(2) During the decade ending in 1898 the Dominican Republic emitted no less than seven bond issues of an aggregate nominal value (£1 equalling $5) of $43,958,500. A considerable part of this, however, represented refunding operations; and the actual increase is described more accurately by the statement that, whereas the total bonded debt of the Republic in 1888 was $3,850,000, or, at the scaled valuation of that year, $770,000, in 1898 the funded debt of the Republic had risen to $19,426,750.

The circumstances of these several loans were much the same. Just as President Baez had done in 1869, so President Heureaux, in 1888, embarrassed by a depleted treasury and harassed by the demands of for-

eign and domestic creditor claimants, again turned to foreign money markets. A contract was entered into with Westendorp & Co., of Amsterdam, whereby the Dominican Republic created £770,000 of 6 per cent. thirty-year gold bonds, secured by the establishment of a *caja de recaudación*, or *regie*, for the collection of import and export duties, to be administered and controlled by Westendorp & Co. during the life and for the benefit of the loan.

In 1890 a further loan was negotiated with Westendorp & Co., nominally to provide funds for the construction of a railroad from Puerto Plata to Santiago, but also, and probably more important, to put President Heureaux in possession of a supply of ready funds, and to rid him of the inconvenient pressure of a new accumulation of floating indebtedness.

Despite the apparently favorable terms under which the loan contracts had been secured, Westendorp & Co. appear to have fared badly in the rôle of fiscal agents for the Dominican Republic. In 1891–92 the attention of Messrs. Smith M. Weed and Charles W. Wells, both of New York, was drawn to the situation, with the result that a visit was paid to San Domingo and conferences held with Dominican officials. Upon returning to the United States, the "San Domingo Improvement Company of New York" was organized under the laws of the State of New Jersey; and in May, 1892, all the rights and obligations of Westendorp & Co. were acquired by the new company. This transfer was ratified by the Dominican Congress on March 24, 1893, subject, among other things, to the condition that the Improvement Company should refund the 1888 and 1890 loans, together with arrears of interest, upon a 4 per cent. basis. The refunding operations took place in 1893, and were the occasion of the fourth bond issue,

with the result that the aggregate bonded indebtedness came to be represented by the principal of the 1893 loan; namely, £2,035,000.

The fifth, sixth, and seventh issues, aggregating $4,250,000, were emitted in 1893–95, for the purpose of discharging floating debts and of quieting indemnity claims. The security given for the service thereof was again affirmed to be the customs receipts of the Republic, supplemented by certain additional imposts, all to be collected and administered by the Improvement Company as *regie*.

The part of the customs revenues left available by this arrangement for the service of the 1893 refunding gold bonds, or "Belgium bonds," as they were popularly designated, appears never to have been adequate for the purpose. The early interest payments were met by moneys advanced by the Improvement Company; but towards the end of 1896 the extravagant exactions of the Dominican government and the declining credit of Dominican securities are said to have reduced the resources of the Improvement Company to such straits that further advances were impossible. Accordingly, on January 1, 1897, the 1893 loan, aggregating £2,035,000, was permitted to lapse into default.

These were the circumstances which in 1897 led to the eighth and final bond issue of the Dominican Republic. The refunding plan provided that the Republic should issue two new classes of securities, namely: (*a*), "Dominican unified debt 4 per cent. bonds" to an amount not exceeding £1,500,000; and (*b*) "Obligations Or de Saint Domingue," bearing 2¾ per cent. interest, to an amount not exceeding £2,736,750. Eventually, the operation was completed. But it involved cut-throat terms, prodigal waste, and unchecked procedure. Instead of the economical and orderly readjustment that

was to put the financial household of Santo Domingo in order and re-establish her public credit, there resulted a swollen debit, loose in construction, suspicious in detail, and foredoomed to break down.

(3) The period from 1898 to 1905 forms the inevitable sequel to the wild financiering and despotic rule of the ten years that had gone before. In the last few years of his life President Heureaux's financial policy appears to have been a mixture of a degenerate's cunning and a bankrupt's recklessness. Having wasted, stolen, and squandered all legitimate funds, he exhausted the Republic's credit by a vicious debasement of the currency and a gross overissue of fiat paper, and secured further advances as forced loans or as gambler's ventures. The terms upon which such loans were obtained were of as little consequence as a highwayman's pleasantries or a prodigal's engagements. Harried by political conspiracies which must be bought off or crushed, dunned by insistent creditors to whom he must look for further advances, Heureaux's one concern was to obtain money, without any regard as to how or in what manner it was obtained. The slight extent to which the future troubled him is expressed in his favorite epigram, that he cared not what history might record of him and of his conduct, since he would not be here to read it.

Heureaux was assassinated on July 26, 1899, and five years of civil anarchy succeeded. In financial matters it meant that the worst features of Heureaux's administration were intensified. Each successive dictator inclined to become a more necessitous and a more reckless borrower, and each new advance was obtained upon harsher terms. The nominal rate of interest upon public loans was rarely less than 2 per cent. per month, and, with respect to funds or values actually received, several times that rate. In consideration of further

advances, existing credit accounts were liquidated at excessive amounts, and ordinarily secured by contractual agreements or international protocols. Treasury due-bills and general certificates of indebtedness were emitted in large volume, and specific sources of revenues were alienated or assigned for the service of particular loans. In December, 1900, certificates were issued for the "privileged revolutionary debt." In September, 1901, a formal contract with representatives of the French-Belgian bondholders was made for the service of the bonded debt. In June, 1903, the claim of the San Domingo Improvement Company was adjusted. In October, 1903, the German-Spanish claims, and in May, 1904, the Italian claims were liquidated by international protocols. Practically, without exception, these definite financial engagements, as well as a host of minor ones, were violated, neglected, or repudiated by the Dominican Republic.

The thirty-five years of financial dishonor thus briefly traced came to an end in 1904 with the activity of the Italian and French governments in urging the payment of the claims of their respective citizens, culminating in the series of events immediately connected with the present situation. They found Santo Domingo a confessed bankrupt, whose public faith was discredited no less at home than in every financial market of the world, whose current debits were hawked about as little better than waste paper, whose people were crushed under a galling burden of taxation, whose natural resources were mortgaged in extravagant or semi-fraudulent concessions, whose legitimate creditors were left without compensation or redress, and whose political existence was threatened by contractual obligations and international agreements in the interest of foreign creditors.

III.

Turning now from the origin and growth of the Dominican debt to its amount and character, it appears that the public indebtedness of the Republic, including therein the nominal amount of all funded, liquidated, and floating debts and all recognized claims, together with interest in arrears where calculated and demanded, aggregated on January 1, 1905, the sum of $32,560,459. This aggregate indebtedness may be divided into four classes of debt, as follows: (1) bonded debt, $17,670,312; (2) liquidated debt, $9,595,530; (3) floating debt, $1,553,507; (4) recognized claims, $3,741,110.

On June 1, 1905, there were outstanding bonds of the Dominican Republic to the amount of £2,723,406 bearing $2\frac{3}{4}$ per cent. interest, and to the amount of £327,120 bearing 4 per cent. interest, or an aggregate of £3,050,526, equivalent (at the conventional rate of exchange of £1 = $5) to $15,252,630. This does not include any possible fraudulent, excessive, or unauthorized issues, nor bonds to the amount of £830,654, the delivery of which, by the San Domingo Improvement Company to the Dominican Republic, is included in the terms of the arbitral award of July 14, 1904, and which figure as a part of that award, under the head of "liquidated debt." The amount of interest in arrears upon this bonded debt of $15,252,630 is stated by the representatives thereof to be $2,417,682.75, making the total of principal and accumulated interest $17,670,312.75.

The liquidated debt consists of certain admitted but unfunded items of indebtedness, secured as to amount and manner of payment by international protocols with the creditor governments or by formal contracts with the creditors in person. There are 43 such debts, rang-

ing in nominal amount from $4,403,532.71 to $2,086.21 and aggregating in nominal value the sum of $9,595,530.40. The floating debt is made up of an admitted indebtedness, neither funded nor secured, but evidenced by public obligations of one kind or another. There are six general groups of such indebtedness, composed of many hundred items, and aggregating in nominal value the sum of $1,553,507.79. The recognized claims include a body of direct charges for reimbursement or for indemnification, presented in specific amount, and recognized by the Dominican government as in some degree valid.

Whether funded, liquidated, or floating, the public debt of Santo Domingo is, essentially, the result of three elements: the periodic accumulation of current obligations in consequence of revolutionary disturbances and civil disorders; the extravagant terms upon which such temporary loans have originally been obtained and have been subsequently funded; the chronic default in the service of the debt, and the consequent rapid increase of principal. It is possible to point out certain other occasions which have given rise to the contraction of indebtedness, such as the construction of the Puerto Plata-Santiago Railroad, the erection of a few wharves and public buildings, the purchase of two unimportant gunboats, and the settlement of indemnity claims; but, all things considered, the number of these is few, and their aggregate importance is relatively slight.

It is an obvious commonplace to speak of political instability as the keynote of the financial collapse of San Domingo. But this is, after all, the alpha and omega of the situation. In the brief intervals during which the country was not threatened by or actually in the throes of revolution, a disproportionate part of the public revenues were applied to the purchase of war supplies and to the maintenance of a rag-tag soldiery, leaving

other parts of the budget to accumulate in default. At other times the amounts so expended virtually absorbed all available funds. Thus in the fiscal years 1903 and 1904 "military and naval" expenditures formed 71.7 and 72.6 per cent., respectively, of the Republic's ordinary disbursements.

Upon the outbreak of a serious insurrection the common procedure for the dictator-president in power—assuming, as we safely may, a depleted treasury—was to seek from his most favorably disposed merchant lenders immediate funds to maintain his soldiery, to enlist re-enforcements, and to secure necessary supplies. For such funds he gave either *vales* (transferable custom-house receipts valid in payment of export or import dues) or *reconocimientos* (evidences of indebtedness or treasury due-bills). Such securities bore interest at a specified rate per month, or included in their face value the capitalized amount of such interest, or, most frequently of all, did both.

A Dominican insurrection or "revolution" was rarely fought to a finish. A certain point in the struggle once attained, both parties turned instinctively to a settlement. This ordinarily took the form of extending guaranties of personal safety to the insurrectionists, of appointing their surviving leaders to public office, of rewarding their military service by outright payments or annual pensions (*asignaciones*), and of recognizing the validity of indemnity claims for injuries, fancied and real, suffered at the hands of insurrectionists or of government forces. If the insurrection had any vitality, the government, weakened, tho triumphant, showed no disposition to haggle as to the amount or terms of such obligations. They related to a remote and imperfectly realized future, and the troubles immediately at hand were urgent and absorbing.

Indeed, the very cost of the insurrection, as well as the expense of suppressing or pacifying it, was commonly crystallized sooner or later into a government debt. The sinews of a Dominican revolution would naturally be supplied by the merchant bankers of Santo Domingo,— sometimes animated by a laudable desire to rid the country of an intolerable tyranny, more often venturing the advance as a cool-blooded and deliberate speculation. If the insurrection proved successful, such advances were always recognized, and a handsome return accrued to the underwriters. Moreover, the newly constituted government was too weak, politically and financially, to repudiate the obligations issued by the administration just overthrown, especially if they had found their way, as they ordinarily would have done, into the hands of the very merchants from whom further advances must immediately be sought. If the insurrection proved unsuccessful, the promissory papers issued by the defeated insurrectionists were carefully preserved by thrifty lenders until a new political crisis brought the unsuccessful aspirants again to the fore, when all past accounts were liquidated at extravagant rates.

Public borrowing by a country with the unsavory past and the uncertain political future of San Domingo must, under all circumstances, have been expensive. But the terms actually exacted and readily granted exceed all bounds either of economic risk or of prudent financiering, and are as high a tribute to the rapacity of the lenders as to the recklessness of the borrower. This is as true of the funded as of the unfunded debt. Excessive interest rates, chronic default in interest payments, and entire neglect of amortization must necessarily result in the rapid growth of the principal of the debt. The accumulation and compounding of interest in default have figured in the nominal growth of the

San Domingo debt in no less degree. Unpaid creditors have taken some measure of comfort in the frequent liquidation of arrears of interest, and the full recognition of the validity of all such accumulations has been the ordinary condition of further advances.

IV.

A situation of the utmost gravity thus presented itself in San Domingo upon the adjournment of the United States Senate on March 18, 1905, without final action upon the pending agreement. Unless there had been some affirmative intervention at this juncture in the form of an *interim* arrangement, San Domingo must have experienced: first, the certainty of civil anarchy and social retrogression; second, the probability of continued default in its obligations; and, third, the possibility of serious complications with foreign powers.

The identical elements which had made misrule and disorder chronic conditions in San Domingo during the preceding thirty-five years were still in existence, and might have been expected to assert themselves with peculiar violence the moment it appeared that the old political status of the Republic was to remain unchanged. Whether this would have taken the form of a blood-stained absolutism, like that of Ulises Heureaux, from 1882 to 1899, or a period of practically uninterrupted revolutionary disturbances, as from 1899 to 1904, must be guesswork. But there can be no reasonable doubt that uprising and bloodshed would have promptly replaced the order and decency which have prevailed under the *interim* arrangement.

With respect to its existing financial obligations San Domingo was a complete and confessed bankrupt. It was reasonably certain, however, that a careful determi-

nation and adjustment of the actually valid debt, and an honest and capable administration of existing sources of public revenue, would permit the Republic at once to meet all legitimate charges, and ultimately to regain a position of sound and healthy solvency. On the other hand, if the chaotic conditions so long prevailing were to continue, or, even worse, if they were to be aggravated by a sharp succession of revolutionary uprisings, there was not the remotest likelihood of any change in San Domingo's long record of financial default and repudiation. It was very possible that, as theretofore, certain obligations might be met or particular payments made. But the selection would have no reference to the justice or priority of claims, being either a semi-fraudulent preferment or a cession to a foreign government's peremptory demand.

The direct occasion of American intervention in Dominican affairs had been the imminence of serious complications between the United States and foreign powers, growing out of the active measures taken by such governments to enforce the rights of their creditor-citizens as secured by formal contracts or by international protocols with the Dominican Republic. It had been no Quixotic impulse to pose as a "debt collector" for American or for foreign creditors, nor any mere provision for a remote contingency, that had made the United States concern itself with San Domingo, but the much more important circumstance that our traditional political policy had not permitted us to view with unconcern the debt-collecting activities of foreign governments when, as in this particular case, such activities were tantamount to occupation of Dominican territory for an indefinite period.

If the United States had been willing to contemplate the full operation of these instruments, much of the

reason for intervention as an international necessity disappeared. On the other hand, if the occupation and administration of the important custom-houses of San Domingo by foreign powers for the prolonged period necessary to discharge heavy debts, and the appreciable voice in the internal affairs of the country that such occupation and administration were certain to carry with them,—if these were deemed inconsistent with the traditional policy of the United States in the West Indies, then it appeared that some positive change in the state of affairs theretofore existing was imperative.

The expressed preference of such foreign governments had been to take independent action in compelling San Domingo to respect her contracts and treaty stipulations. In deference to the United States, this attitude had been waived, and the United States besought to take the initiative in the matter. There was every reason to suppose that, failing intervention on the part of the United States, independent and immediate action would have been seriously considered by such foreign governments.

V.

The working of the *interim* arrangement was meanwhile attended with complete success. From April 1, 1905, the Dominican Republic enjoyed a civil calm and an economic well-being such as it had not known for two generations. Insurrections ceased and uprisings became obsolete, simply because customs receipts were no longer available as loot. The small peasant proprietor, or squatter farmer, was allowed to gather his crop, and to retain what he had realized from the sale of the surplus. Public officials received their salaries regularly, and current amounts were discharged

promptly. Interior trade revived, and New York steamers brought increasing shipments into the country. Smuggling was eliminated as a demoralizing element in the commerce of the country. Local merchants were protected against the fraudulent preferment of their rivals at the customs houses, and importers were encouraged to contract larger credit accounts. A new spirit spread abroad, halting only at the uncertainty of the future, to take shape in splendid prosperity.

This change was reflected in an astonishing growth of the customs receipts of the Republic for 1906 as compared with those of preceding years. The gross receipts of the Dominican customs houses for 1906 were $3,191,916.59 as against $2,223,324.51 in 1905 and $1,852,209.54 in 1904, indicating for 1906 an increase of 44 per cent. over 1905 and 72 per cent. over 1904, while the receipts of 1903 were but $1,037,119.53, or less than one-third of those of the year just closed. The percentage rate of expense for collection was so much less than under the old conditions as to prevent any useful comparison, and was actually lower than that of the average cost of collection in the United States, or any of its island possessions.

The partition of these receipts in the manner set forth in the *interim* arrangement enabled the Dominican Republic, as never before, to meet every budgetary payment, to accumulate a surplus for current expenditures, and to segregate a large fund for the ultimate payment of the debt. On January 1, 1907, the creditors' "trust fund," so set apart in the designated depositary, the National City Bank of New York City, aggregated $2,317,607.40.

With the lapse of time and the satisfactory working of the *interim* arrangement, there seemed reason for believing that much of the opposition to the original

agreement on the part of the United States Senate was due to the large responsibilities therein imposed upon the United States. It was thought that this opposition would disappear if, instead of the United States both adjusting the debt and collecting the customs for the payment thereof, the Dominican Republic should itself arrive at a voluntary agreement with all recognized debtors and claimants, and the United States merely undertake to administer the customs for the service of the debt as adjusted.

Assured of the good offices of the United States in such an endeavor, the president of the Dominican Republic appointed Señor Federico Velazquez, Minister of Finance and Commerce, as special commissioner for the adjustment of the financial difficulties of the Republic. Señor Velazquez came to the United States in the latter part of June, 1906, and remained here, busily engaged, for the two months succeeding. The results of his labors were three conditional engagements, in harmony with the plan proposed:—

(1) An agreement with Kuhn, Loeb & Co. of New York City for the issues and sale, at 96, of bonds of the Dominican Republic to the amount of $20,000,000, bearing 5 per cent. interest, payable in fifty years, and redeemable after ten years at 102½, and requiring payment of at least 1 per cent. per annum for amortization. The proceeds of the bonds, together with the funds segregated for the benefit of creditors under the *interim* arrangement, were to be applied: first, to the payment of the debts and claims as adjusted; second, to the extinction of certain burdensome concessions and monopolies; and, third, to the construction, under proper restrictions, of railroads, bridges, and other public improvements. All of the above was conditioned upon the completion of a treaty with the United States, by the terms of which

the United States should undertake the collection of the customs revenues of the Dominican Republic, and the application thereof, so far as necessary, to the service of the new bonds, the remainder being paid over to the Republic.

(2) An agreement with the Morton Trust Company of New York City to act (*a*) as depositary to receive the purchase price of the new bonds when paid, and to encourage and promote the adjustment of the outstanding indebtedness and claims in accordance with the terms offered by the Republic; and (*b*), as fiscal agent of the loan, to receive from out the customs revenues collected by the United States the sum of $100,000 monthly, to be applied to the payment of interest upon and to the provision of a sinking fund for the new bonds.

(3) An offer of settlement to the holders of recognized debts and claims, enumerated therein, to adjust these in cash at rates ranging, respectively, from 90 to 10 per cent. of the nominal values. Assenting holders were required, in order to obtain the benefit of this offer, to signify their acceptance in writing, and to deliver their obligations, duly assigned, to the depositary. The nominal aggregate of the recognized debts and claims included in the offer of settlement, exclusive of accrued interest, was $31,833,510, for which the Republic proposed to pay in adjustment $15,526,240, together with certain interest allowances correspondingly reduced.

On January 5, 1907, the holders of debts and claims had assented to the terms of the offer of settlement in sufficient amount to assure the success of the readjustment, as in so far independent. A new convention between the United States and the Dominican Republic was accordingly prepared; and on February 8, 1907, this received the signature of the respective plenipotentiaries at Santo Domingo City. On February 12 a tele-

graph copy of the convention was transmitted by President Roosevelt to the United States Senate, for the advice and consent of that body to its ratification; and on February 19 this copy was replaced by the signed original. Six days later, on February 25, the Senate ratified the treaty with but one verbal and unimportant change. The convention now only awaits the approval of the Dominican Congress to become effective.

VI.

The new convention recites in preamble form that disturbed political conditions in the Dominican Republic have created debts and claims, many of doubtful validity, amounting in all to over $30,000,000; that the same conditions have allowed this debt to go into default, and that the pressure thereof is a burden to the Republic and a barrier to its improvement and prosperity; that the foreign creditors have agreed to accept about $12,407,000 for debts and claims amounting to about $21,104,000 of nominal value, and the holders of internal debts and claims of about $2,028,258 nominal value have agreed to accept about $645,827 therefor, and the remaining holders of internal debts or claims on the same basis as the assents already given will receive about $2,400,000 therefor, which sum the Dominican government has fixed and determined as the amount which it will pay to such remaining internal debt-holders, making the total payments under such adjustment and settlement, including interest as adjusted and claims not yet liquidated, amount to not more than about $17,000,000.

The convention continues that a part of such plan of settlement is the issue and sale of bonds of the Dominican Republic to the amount of $20,000,000, bearing 5 per

cent. interest, payable in fifty years, and payable after ten years at 102½, and requiring payment of at least 1 per cent. per annum for amortization. The proceeds of such sale, together with sums heretofore set aside, are to be applied to the payment of the adjusted indebtedness and to the extinction of burdensome concessions, and thereafter to the construction of works of internal improvement; moreover, that "the whole of said plan is conditioned and dependent upon the assistance of the United States in the collection of customs revenues of the Dominican Republic and the application thereof so far as necessary to the interest upon and the amortization and redemption of said bonds, and the Dominican Republic has requested the United States to give, and the United States is willing to give, such assistance."

The two governments therefor agree that the President of the United States shall appoint a General Receiver of Dominican Customs, who with the necessary assistants, likewise appointed, shall collect all the customs duties of the Republic until the payment of redemption of the bonds so issued. From the sum so collected the General Receiver, after discharging the expenses of the receivership, shall pay over to the fiscal agent of the loan on the first day of each calendar month the sum of $100,000, to be applied to the payment of the interest and the amortization of all the bonds issued. The remainder of the sums collected by the General Receiver are to be paid monthly to the Dominican government.

The Dominican government may apply any further sums to the amortization of the bonds, over and above the 1 per cent. sinking fund provision stipulated; but, in any event, should the customs revenues collected by the General Receiver in any year exceed the sum of $3,000,000, one-half of the surplus above such sum of

$3,000,000 must be applied to the sinking fund for the further redemption of bonds.

The Dominican government agrees to provide by law for the payment of all customs dues to the General Receiver and his assistants, and to give them all useful aid and assistance and full protection to the extent of its powers. The government of the United States in turn undertakes to give to the General Receiver and his assistants such protection as it may find to be requisite for the performance of their duties.

Provision is also made that, until the Dominican Republic has paid the whole amount of the bonds so created, there shall be no increase of its public debt, except by previous agreement between the Dominican government and the United States, and that the like agreement shall be necessary for any modification of the Dominican import duties, provided that an indispensable condition for the modification of such duties shall be "that the Dominican Executive demonstrate and that the President of the United States recognize that, on the basis of exportations and importations to the like amount and the like character during the two years preceding that in which it is desired to make such modifications, the total net customs receipts would at such altered rates of duties have been for each of such years in excess of the sum of $2,000,000 United States gold." The accounts of the General Receiver must be rendered monthly to the Contaduria General of the Dominican Republic and to the State Department of the United States for examination and approval by the appropriate officials of the two governments.

The distinctive feature of the new convention, as compared with the original agreement, is this: that the United States does not undertake to adjust or determine the Dominican debt, but merely to administer the

customs of the Republic for the service of a new loan, the proceeds of which are to be devoted to the discharge of all recognized debts and claims, reduced to a basis acceptable both to the Republic and the creditors. Even this responsibility is limited to a period of fifty years, and may, with the prior amortization of the loan, be terminated at an earlier date. During this period the Dominican Republic is not to increase its public debt nor to modify its import duties, save in agreement with the United States.

This extension of the good offices of the United States to the Dominican Republic means that debts and claims aggregating some $32,000,000 will be discharged for about $17,000,000; that the Republic's credit is at once established on a very high plane; that onerous concessions and monopolies are to be redeemed and important works of internal improvement undertaken; that civil quiet and adequate revenues for the maintenance of government are assured; and that imminent danger of foreign intervention is removed,—and all this without loss of territorial integrity nor menace of independent sovereignty.

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THE CONCEPT OF AN ECONOMIC QUANTITY.

I.

STUDENTS of economics will remember the late Francis A. Walker's contention that money is not a measure, but only a denominator of value. After stating that value is a "relation," he argues as follows: "But a measure, a relation, a ratio, cannot be measured! You do not measure the relation of a mile to a furlong: you express it as 8:1. You use a common language for the two quantities. You take a common term or denominator for the two distances, and thus set them in immediate comparison with each other." [1] In the subsequent argument, Walker contended that money served merely to name the relation between the values of things rather than to measure their values. This piece of reasoning is introduced here not so much because it is fallacious as because it is typical of a great deal that has been written in apparent ignorance of the real nature of an economic quantity, and because this apparent ignorance accounts for a good deal of confusion in the discussion of a number of important questions in economics. An examination of Walker's argument will serve as a good introduction to the general question of the meaning and significance of an economic quantity.

Without stopping to comment upon the inconsistency between this conception of value as a mere relation and Walker's own definition of value as "*power* in exchange," it is pertinent to ask how one could even name the ratio between two concrete, material things without first measuring them. To name the ratio between them is to com-

[1] *Money in its Relation to Trade and Industry*, p. 30.

pare them quantitatively,—to say how the amount of one compares with the amount of the other. Obviously, one must first ascertain their respective quantities before he can state the relation between those quantities. What Walker seems to have overlooked is the fact that a mile and a furlong are not concrete material things, but mere expressions of quantity. There is a wide difference, for example, between a mile and a fence a mile long, and also between a furlong and a fence of that length. If one were asked to *name* the ratio between two fences, he would first have to measure them. And, if he were ever so good in applied mathematics, but unacquainted with the customary use of language, he would not know how to measure a fence; that is, he would not know whether to find out its length, its height, its thickness, its superficial area, its cubic contents, or its weight. But he would probably find by a very little inquiry into customary usage, that measuring a fence means finding its length. And, in order to do this, he would have to take some other concrete, material thing *possessing length*,—say a chain, a pole, or a piece of string,—and find, by actual tests, the ratio between the fence and the unit of measurement in the matter of length. Only after he had ascertained, by measurement, that one fence was a mile and the other a furlong in length, could he even express their ratio as 8:1. Even then he might reverse the ratio if he found that the shorter fence was eight times as high as the longer. In that case it would be correct to express the ratio between the two fences either as 8:1 or as 1:8, according as length or height were taken as the basis of quantitative expression. Which basis should be taken would depend upon whether length or height were considered the more important dimension for the purpose in hand.

This illustration will serve as a reminder, without the need of elaborate analysis, that measuring a thing means

selecting one of its properties and comparing it on the basis of that property with some other thing. In measuring a fence, for example, the property called length is selected, and the fence is compared on that basis with something else, a chain, possessing length. Obviously no such comparison can be made unless the thing used as a unit of measurement also possesses that property of the thing to be measured which is selected as the basis of comparison. Inasmuch as every physical object possesses a great number of properties, any one of them may be chosen as the basis of measurement,—its length, breadth, or thickness; or the product of all three, its bulk; or its potential energy; or, in economic discussions, its value.

That value is a quantitative concept is demonstrated by the fact that it takes such modifiers as "more" or "less," and that the question, how much? when asked with respect to the value of a thing, is intelligible,—quite as intelligible as when asked with respect to its length or its weight. Moreover, the question, how much? when asked with respect to any property of anything, can only be answered by means of a comparison. To say, for example, that a certain reservoir contains a million gallons of water means simply that it contains as much water as would fill a certain receptacle with certain dimensions—a gallon measure—one million times. And there is absolutely no way of expressing a quantity of water except by some such comparison. Of course, it is not necessary actually to dip the water out with a gallon measure, but some actual comparison must be made. It would probably be done by measuring the three dimensions of the reservoir, and comparing their product with that of the three dimensions of a gallon measure. Similarly, there is absolutely no way of expressing the quantity of value, or power in exchange, in a thing except by means of a comparison, tho it is not necessary actually to go thru

the form of an exchange, any more than it is necessary actually to dip the water out of the reservoir with a gallon measure.

All this seems simple enough, and the reader may well be impatient. But students of economics have so often failed, as did Walker in the above quotation, to apply these principles to economic discussions, where questions of quantity and quantitative measurement are involved, that it seems necessary to elaborate the argument. The essential points to be remembered are these: 1. Value is a quantitative concept. 2. The value of one thing can be compared with that of another. 3. When the value of one thing is compared with that of another, and the value of the one stated in terms of the other, this constitutes a measurement of the one, the other being the unit of measurement. This is exactly what is done when the value of a thing is stated in terms of money, and money becomes the unit of measurement as truly as a pound weight or a gallon measure are ever units of measurement. The value of a horse, for example, is compared with that of a dollar when it is found that he will exchange for as many things as a hundred dollars will exchange for. And, when his value is stated as a hundred dollars, the dollar becomes the unit of measurement. This process does not differ in the slightest degree from the process of measuring the height of the horse. When it is found that he is sixteen hands high, it means simply that a hand is taken as a unit of measurement.

What makes this whole question so difficult, and at the same time so important, is the fact that, while value is *par excellence* the basis of the economic concept of quantity, the economist is yet forced to use various physical concepts also. In fact, he is compelled to shift back and forth from one concept to the other, as, for example, when he discusses the relation of the law of supply and

demand to value. Tho it is impossible to avoid this shifting, it is highly important that it should be done consciously and with one's eyes open to the fact that one is shifting one's position. In any discussion of the law of supply and demand in relation to value, the supply of the commodity in question (with one exception to be noted later) can only be conceived as a physical quantity,—that is, a quantity measured and stated in terms of one of its physical properties rather than in terms of value. But when one attempts to state the amount of the wealth of the community, the quantity of the commodity in question, together with that of all other commodities in the community, is stated in terms of value rather than in physical terms. Since economics is primarily concerned with the concept of wealth, and since the quantity of wealth can only be intelligently expressed in terms of value, it will be easy to see what was meant by the above statement that value is the basis of the real economic concept of quantity. Tho this concept of quantity is somewhat less definite and somewhat more elusive than the various physical concepts, this fact in no wise relieves us of the necessity of thoroughly understanding and mastering it, for important principles depend upon our understanding and mastery of it. Its elusiveness is not the fault of the economic theorist. It is the fault—if there is any fault—of circumstances. It is not even the invention of the economic theorist. It is the invention of the practical economic world, which completely accepts it, tho it does not necessarily understand all that is implied in it. No practical man would fail for an instant to understand the meaning of the question, how much capital have you? or, what is the amount of your wealth?

In the opinion of the present writer there are two particular questions in the discussion of which confusion is likely to result from the failure to understand clearly that

value is a quantitative concept, and that it is the basis for the measurement of quantities in the strictly economic sense. One is that of the nature and functions of capital, and the other is the question of the value of money.

II.

There can scarcely be doubt that capital consists of material things, altho even on this question some writers have taken a different view, and have thought of capital as something immaterial and abstract. This confusion itself, as the present writer has elsewhere pointed out,[1] is the result of an oscillating quantitative concept. In those centres where the *ownership* of capital is most concentrated and where the transfers of ownership are made on the largest scale, as in the stock markets, it has become customary to speak of these transfers as exchanges of capital. It is also customary to name in statistical tables the amount of capital so transferred. Now the amount of capital whose ownership is thus transferred is invariably expressed in terms of dollars and cents, which means that value has been taken as the basis of quantitative expression. It is, therefore, easy to conceive of capital as an abstract fund of wealth measured in terms of value, or even as consisting in a fund of value. Thus the custom prevails of thinking of capital as value, sometimes even as money.

Having arrived at the conception of capital as a fund of value, it then becomes pertinent to inquire, with the socialists and with certain literary metaphysicians, whether capital is productive or not. This question could not possibly arise in the mind of one who held to the conception of capital as consisting of concrete material instruments

[1] See vol. xv. pp. 587–588 of this *Journal;* also *The Distribution of Wealth*, New York, 1904, chap. iii.

of production, for the question in his case would be the same as asking whether tools are useful, and that would be absurd. But if capital is thought of as consisting of value, it would then by no means be absurd to ask such a question, because it would not be quite clear how an abstract fund of value could be productive. As a matter of fact, it is not. And, with this conception of capital in mind, the only logical answer to the question, is capital productive? would be in the negative. If capital *is* value, it is obvious that it is not productive, for the value of a thing does not produce anything. Instead of being the cause of a product, the value in a tool is really the result of the product. That is, the fact that the tool is useful and increases the productiveness of industry is what gives it its value. In other words, capital properly understood as a group of concrete material things has value because it is productive, and, except in the case of money, it is not its value which makes it productive.

The failure to see that capital consists of concrete material things, and that it is its quantity only which is expressed in terms of value, accounts in part for the confusion prevalent between land and capital. Not only may the amount of capital be expressed in terms of value, but that of land also. One may think of his land as so many dollars' worth, in which case the conception of land blends easily with the conception of capital as also being so many dollars' worth. Whereas, if one held to the physical concept of land as consisting of certain material sections of the earth's surface, and of capital as consisting of certain material concrete things made by human effort, he would find that the two concepts did not blend so easily. Take, for example, the argument sometimes presented, that land is constantly being produced by the railroad builders and the diggers of canals.[1] A recent writer has

[1] *Cf.* W. M. Daniels, in *Political Science Quarterly*, vol. xx. p. 554.

asserted that the Panama Canal Company is producing land in the same sense as the Baldwin Locomotive Works are producing locomotives. The writer, doubtless, means that lands hitherto unavailable for use will be made available and brought under cultivation by the digging of the Panama Canal. Tho he would not maintain that this creates new land surface on the face of the earth, he would assert that the increase in the usableness of some of the existing surface is equivalent to the production of land. Now the increase in the usableness or the utility of land surface hitherto beyond the margin of cultivation would not differ essentially from increasing the usableness or utility of land surface already within the margin of cultivation. Whereas considerable sections of the earth's surface whose utility was *nil* before the digging of the canal will thereafter have a positive utility, similarly, considerable sections of the earth's surface whose utility was already a positive quantity before the digging of the canal will thereafter have a utility represented by a still greater positive quantity. Therefore it would be as true to say that the Panama Canal Company is producing new land when it adds to the utility and value of the land already cultivated as it would to say that it is producing new land when it gives a value to land formerly possessing none. In neither case is it creating new land surface. In both cases it is simply increasing the usableness, the utility, and consequently the value of the land,—in one case increasing it from *nil* to a positive quantity, in the other increasing it from a positive quantity to a still higher positive quantity.

The same error, of conceiving of land as consisting of value, is made by another writer,[1] who admits that land surface could not be produced, but says that land capital

[1] Professor Carl C. Plehn before the Massachusetts Single Tax League, December 8, 1902.

could be produced, and that therefore the supply of land could be increased, as well as the supply of capital. The fatal defect in this line of reasoning lies in the failure to see the necessity of shifting from one conception of quantity to another in certain phases of economic discussion, and the consequent necessity of having one's eyes open to the fact that one is shifting. The supply of land, like the supply of anything else, must be conceived of as a physical quantity; that is, a quantity measured and expressed on the basis of some of its physical properties. To attempt to state the supply of land in terms of value results in a crude case of reasoning in a circle. If the supply of land consists in its value, then one might say that there is an abundance of land on Wall Street, New York, because, altho the land surface is very limited, the land value is immense. It is the scarcity of the supply, as measured in physical terms, which gives it its immense value, and therefore makes it so large a quantity when expressed in terms of value. If, by any chance, the completion of the Panama Canal should still further raise the value of land on Wall Street, it would mean the production of more land at that place as truly as it would mean the production of land anywhere else, say on the margin of cultivation.

In reality this so-called production of land by the Panama Canal Company is quite like the so-called production of land values by the general social activities of the whole community. The building of a church or a school-house in a rural community may add something to the value of the neighboring land, and it is possible that it will also give a positive value to certain areas which formerly had no value at all. But this idea of production is quite different from that which we apply to the building of the church or the school-house itself. When one of these buildings is erected, there is a physical change. A thing

exists which did not formerly exist at all, and it would be very difficult to convince the workmen that they are constructing land in precisely the same sense that they are constructing a building. Returning to the illustration of the Panama Canal Company, it is quite possible that the completion of the Panama Canal may greatly increase the field for the use of locomotives. That is, it may open up new territories to the enterprise of the railroad builder. In that case the completion of the Panama Canal would result in an increase in the world's supply of locomotives. In other words, if this were true, the Panama Canal Company is producing locomotives in precisely the same sense that it is producing land. But it is not producing locomotives in the same sense that the Baldwin Locomotive Works are. It is merely making better market conditions, so that more locomotives and more land may be used in the future than at present, whereas the Baldwin Locomotive Works are actually constructing locomotives. No organization, so far as the writer knows, has actually constructed new land surface. It ought to be clear that there is a wide difference between making locomotives in a concrete sense—that is, taking the crude materials from the mines and working them up into locomotives by human skill and industry—and creating conditions which give value to those locomotives after they are made. It ought to be equally clear that there is a wide difference between producing land and creating conditions which give value to land already in existence.

All these attempts to fuse land with capital depend upon the ability to reduce land and capital to a common basis of quantitative expression. That comes thru the use of value as the basis of quantitative expression. When land is thought of as a sum of value rather than as acres, and when capital is thought of as a sum of value rather than as tools or implements, it is perfectly easy to

blend the two concepts. And in addition, when the quantity thus expressed is seen to be variable and capable of being increased, it is easy to think of "land capital" as capable of being increased by human labor and enterprise. But this could never occur to one who held a perfectly clear notion as to what "land capital" means,—that it is simply a different quantitative expression for land from the physical one, that it is merely a change from the concept of land as measured and quantitatively expressed in terms of superficial area to a concept of land as measured and quantitatively expressed in terms of value.

III.

It was stated above that capital conceived of as concrete goods derives its value from the fact that it is productive, and that the value, therefore, is not the cause of the product, but the result of the product; and, again, that capital conceived of as a fund of value cannot be said to be productive. It is necessary here to point out the striking exception to that rule; that is, the case of money. While it is obviously not true that capital is money, as is sometimes popularly assumed, it is true that money is capital. That is, it is one kind of capital. It is productive in the sense in which any other form of capital is productive. It facilitates the business of production. By having money with which to transact his exchanges, the producer economizes time and effort, as is easily seen by any one who will consider the difficulties under which the producer would work if he had no money, but had to depend upon barter. While money is productive in that sense, it is different from all other forms of capital in that it derives its productivity or its usefulness from the fact that it has value or power in exchange. Its function being

to facilitate exchange, it is necessary that it possess power in exchange or the ability to purchase, in order that it may perform that function. How it gets its purchasing power is not a part of the present question. Even fiat money, if it performs the function of money at all, must have purchasing power. It must have power in exchange.

This difference between money and other commodities ought to make it apparent that the value of money cannot be accounted for by precisely the same phase of the law of supply and demand as will account for the value of other commodities. In discussing the relation of the law of demand and supply to the value of any other commodity, we must state the quantity of the supply in physical terms, and not in terms of value. The value of a loaf of bread depends, a given demand being assumed, upon the number of the loaves of bread, and a loaf of bread is a physical thing. It weighs, say, a pound, or it occupies a certain cubic space. When speaking of the supply of bread in relation to its value, therefore, we must state that supply in terms of weight, or cubic contents, or some of its purely physical properties. But it is different with money. The supply of money, being the quantity available for doing the money work, has to be stated in terms of value, since it is the value of each unit which determines how much work that unit can do. This makes the question of the value of money the most subtle and elusive of all the questions of value.

It is obvious that there can be no such thing as a law of demand and supply determining value, unless it can be reduced to a question of marginal utility. Now the utility of money, as already pointed out, lies in its ability to facilitate exchange. And, other things equal, its ability to facilitate exchange depends upon its power in exchange, or its value. But the utility of bread consists in its ability to satisfy hunger, and this depends upon the nutriment

which it contains, and not upon its value. If we could conceive of bread as varying in nutritive qualities from time to time and from day to day, the question of its value would be more elusive than it now is. But, if it varies at all in nutritive properties, these variations are so small as to be negligible, and we may therefore assume that a given pound of bread possesses as much nutriment at one time as at another, so that the total utility of the whole supply of bread depends upon the number of pounds available. With a given number of people to be fed and a given supply of other articles of consumption, the demand for bread is better satisfied when there are more pounds than when there are less pounds. As the number of pounds increases, the desire for bread is more and more fully satisfied, so that the marginal utility of bread diminishes. But, on the other hand, if by some miracle the nutritive quality of bread could be increased from day to day without increasing the number of pounds, still there might be said to be an increase in the supply of bread. The community would be better nourished and the demand for nutriment would be more fully satisfied, so that it would be a matter of indifference to the community whether the number of pounds of bread of the same average nutrition should double or whether the nutritive power of each loaf should double and the number of loaves remain the same.

Now it is the property of value in money which enables it to do its work, just as it is the nutritive property in bread which enables it to do its work. With a given number of pounds of money, if each pound doubles in purchasing power, there is twice as much money; or the power of money to do its work would be doubled as truly as would the power of bread to do its work if the nutritive power of each pound were doubled. The question is a practical one, because the purchasing power of a pound of money

does vary from time to time. But, aside from this, it is obvious that we shall get into difficulties at once if we attempt to apply the demand and supply theory to the value of money in the same way in which we apply it to the value of bread. For, as the real supply of bread is the quantity of nutriment embodied in it, so is the real supply of money the quantity of value embodied in it. And, while we might say that the value of bread diminishes as the quantity of nutriment embodied in bread increases, it would not do to say that *the value of money diminishes as the quantity of value embodied in money increases.* The obvious importance of this consideration to the discussion of the quantity theory of money will at once appear, and it leads to some of the following considerations.

It would probably be agreed by every one that under a system of free and gratuitous coinage of the standard money metal, and under conditions where the standard metal was actually kept as the basis of circulation, the value of money of any kind would have to correspond to the value of the bullion from which the standard money was coined. In this country, for example, the value of a dollar must always be the same as the value of 25.8 grains of standard gold, so long as gold remains the basis of our currency. Nothing can therefore affect the value of money which does not at the same time affect the value of gold bullion. But the question arises, what would determine the value of money in the absence of this system of free and gratuitous coinage and in the absence of the governmental policy of maintaining a gold standard? It is held, for example, that, since the demand for money and the supply of money determine its value, therefore the value of money would remain the same even under an inconvertible paper currency as under the present system, provided the number of dollars remained the

same. The facts already pointed out relating to the question as to what constitutes the supply of money ought at least to make us cautious about accepting any conclusion of this kind. Since it is the value itself which enables the money to do its work, it would seem to be value which is demanded. The demand for bread is not a demand for value or purchasing power, but for nutriment, and nutriment is not dissociated from weight. Therefore, it is not inaccurate to say that the demand for bread is the demand for pounds of bread. And it is this demand for pounds of bread which gives value to each pound. But, since it is the value of money which enables it to do its work, it is value which is wanted. The demand, therefore, is for value. Can it be said that the demand for value is what gives value to money? It would seem, at least, that there must be some antecedent value in the money before it is demanded, and, if the demand gives any value whatever to the money, it is only a supplementary value.

It is one thing to say that the demand for nutriment as embodied in pounds of bread, and the supply of nutriment as embodied in pounds of bread, are the sole factors in determining the value or purchasing power of a given quantity of nutriment or a given number of pounds of bread; but it is quite another thing to say that the demand for value or purchasing power in money and the supply of value or purchasing power in money are the sole factors in determining the value or purchasing power of a given quantity of value or purchasing power. Yet this latter is the proposition to which they must subscribe who make no distinction between money and other commodities, and who apply the law of demand and supply to money in precisely the same way in which they apply it to the value of other commodities. It may be assumed that nutriment is the quality which makes bread

useful, and therefore it would be quite proper to say that the demand for nutriment and the supply of nutriment together determine the value or purchasing power of a given amount of nutriment. Or, if we were permitted to assume that warmth is the sole quality which makes clothing useful, it would be quite proper to say that the demand for warmth and the supply of warmth together determine the value or purchasing power of a given amount of warmth as embodied in clothing. But, altho we must assume that value or purchasing power is the property which makes money useful, or enables it to do its work, it would not do at all to say that the demand for value and the supply of value together determine the value of a given amount of value. This, again, is the proposition, absurd as it is, to which the advocates of the crude quantity theory of money must subscribe, unless they are willing to introduce an important modification in the quantity theory as applied to money.

One curious effort to avoid this conclusion is the attempt to define the utility of money in terms of the things which it will purchase. That is to say that the utility of a piece of money consists of the utility of the things for which it will exchange. If this be true, why not say, also, that the utility of a loaf of bread consists of the utility of the other things for which it will exchange, and then say that the utility of each of these other things in turn consists of the utility of the things for which it will exchange, and so on indefinitely, the utility of everything consisting of the utility of something else. As a matter of fact, this whole proposition is absolutely devoid of meaning. To say that the utility of a piece of money is the utility of the things which it will purchase throws no light on the real question, which is, what determines the number of things which it will purchase? That is the question of value. If a loaf of bread will exchange for

a peck of potatoes, it is because the utility of a loaf of bread to the marginal consumer is equal to the utility of a peck of potatoes. And, if a piece of money will exchange for a barrel of flour, it is likewise because the utility of the piece of money to its marginal user is equal to that of the barrel of flour. But to say that a piece of money is worth a barrel of flour because the final utility of the money to the marginal consumer is equal to the utility of the barrel of flour, and then to define the final utility of the money as consisting of the utility of that which it will purchase,—namely, the barrel of flour,—would be another crude case of reasoning in a circle.

Now the utility of money is the sum of advantages which it affords to society, or the advantages of carrying on business with money rather than without money. Picture to yourself the disadvantages of barter, and you will have, in negative form, a picture of the utility of money. The final utility of money is the advantage which the final increment affords. Find out how greatly exchange is facilitated by means of this final increment, or how much easier it is to carry on the business of the community with this last increment than it would be without it, and you have the measure of the final utility of money.

Some exchanges could scarcely be made at all without the use of money. In these cases the utility of money is very high, and would equal the utility of the exchanges themselves; that is, the advantage of being able to exchange over the disadvantage of not being able to make the exchange at all. Some exchanges could only be made with great difficulty without money, in which cases the utility of money would be considerable. Some other exchanges could be made with comparatively little difficulty, in which cases the utility of money would be inconsiderable. And some exchanges could be made as easily without money as with it, in which cases the utility

of money would be *nil*. This gives us a law of the decreasing utility of money. If there were only enough money to enable the community to carry on those exchanges which could not be made at all without money, and if there were none for facilitating those exchanges which could be made without money, but with great difficulty, the final utility of money would be great. Add something to the quantity of money in use, so that those exchanges which could otherwise be made only with great difficulty may now be made by the use of money, and the final utility of money will be diminished, tho it will still be high as compared with what it would be if money were so abundant that practically all exchanges could be made by its use.

Let us take a concrete case. A merchant could hardly do business at all without some cash in his drawer. Here is a real need of a real man conducting a real business, but the exact amount which he must have is not absolutely fixed. He may keep more or he may keep less in his cash drawer. The quantity of his wealth being fixed, if he has more cash in his drawer, he must have fewer goods on his shelf. If he has less cash, he may have more of goods. When it comes down to a question of final increments, the question is, will it be better to have one more dollar in his cash drawer and one dollar's worth less on his shelves, or will it be better to have one less in his cash drawer and one dollar's worth more on his shelves? If he should decide that the inconvenience of doing business with a little less cash would overbalance the loss from having somewhat fewer goods on his shelves, he will provide for the extra cash, and *vice versa*. This gives a view of the final utility of that particular quantity of money to him. Since something like this is true of each and every individual doing business in the community, it is true of the business community taken as a whole.

As a matter of fact, there are many important exchanges transacted by means of uncoined bullion, which is one of the most convenient forms of barter and the one which approaches most nearly to a money economy. This indicates that in some of these cases at least the uncoined bullion is preferable to either gold coin or paper currency. In certain other cases it is doubtless a matter of indifference which is used. These represent the marginal use of money. But, if there were no kind of money except irredeemable paper, the choice would be narrowed down to the use of this kind of money, on the one hand, or the resort to the use of bullion or to some other form of barter, on the other. This would almost certainly lead, at least in some of the marginal cases, to an increased use of barter and a lessened use of currency. If this be true, there is, even from the standpoint of the crude quantity theory, a weakness in the argument that, with a given amount of business to be carried on, an equal number of dollars would have equal value, whether they were made of gold or of irredeemable paper. If every gold dollar and every dollar redeemable in gold were replaced by an irredeemable paper dollar, the margin of indifference between the use of barter and that of currency would be affected unfavorably to currency. In other words, in many of those cases where it was a matter of indifference whether the exchange were effected by barter or by means of (gold) currency, there would now be a preference for barter in one form or another over the use of the (to some) less desirable form of currency. The result of this would be a reduction in the demand for currency which, the number of dollars having been assumed to be the same, would, even according to the crude quantity theory, cause a fall in its value.

This difficulty cannot be met by simply calling bullion money. The question is, can the circulation of the

country absorb as much irredeemable currency without depreciation as it can of *coin* and redeemable currency? If the general use of irredeemable paper currency were to cause merchants, importers and bankers to make a larger use of bullion, there would be a correspondingly smaller use of currency. Consequently, the government could not inject so much of this kind of currency into the circulation as it can of the present forms without causing depreciation.

However, there are many other transactions where the advantage of money over barter of any kind is so obvious that men will use money instead of barter by common consent, even when it is of irredeemable paper. There are cases where money known to be counterfeit, and therefore not only not legal tender, but illegal in every sense, has circulated freely and performed all the functions of a circulating medium.[1] Enough money to perform this work would doubtless circulate and have a value far above that of the material of which it is made, even if it were not redeemable in any sense. A still larger amount would also circulate if it were indirectly redeemable by being received at the post-office and other government offices in payment of dues to the government.

Is it not true, it may be asked, that, when the volume of the currency increases, other things remaining the same, the purchasing power of each unit tends to fall? There seems to be evidence enough to show that these two conditions tend to go together, but it is not so clear which is cause and which is effect. All the observed facts are quite as consistent with the theory that the demand for money is a demand for value, and that money must have some antecedent value before it can serve as money, as they are with the quantity theory. Let us assume, for

[1] See James Monroe, *Lectures, Addresses, and Essays*, Oberlin, Ohio, 1897, pp. 164, 165.

the sake of argument at least, that the former theory is correct, that it takes a certain amount of value embodied in money to do the money work of the country, and that the demand for money is really a demand for this value. If the value of each piece of money falls, it will then require a larger number of pieces to do the money work for the reason that it will take a larger number of pieces to effect each and every transaction. Under the free and gratuitous coinage of gold, if the value of gold bullion falls, the purchasing power of the gold dollar will also fall. Consequently, more dollars will be needed to do the money work. Since the gold supply distributes itself automatically between the currency and the arts, more gold comes into circulation as coin. This is at least as good an explanation of the phenomenon we are at present witnessing as the theory that prices are rising because more gold is coming into circulation without explaining why it comes into circulation.

That the law of demand and supply, if it is applicable to the value of money at all, must be applied in a special manner, ought to be apparent from what has already been said. The following comparison between bread and money will add something to the vividness of the contrast. When the number of pounds of bread increases, its physical properties remaining the same, the community is better supplied with bread, even tho the purchasing power of each pound is so reduced as to reduce the total purchasing power, or value, of the whole supply. But when the number of pounds of money increases the community is not so well supplied with money if the purchasing power of each pound is so reduced as to reduce the total purchasing power, or value, of the whole supply. Assuming that loaves and dollars are fixed physical units, an increase in the number of loaves necessarily means an increase in the supply of bread, but an increase in the

number of dollars is quite consistent with a decrease in the supply of money. If the value of each dollar falls more than in proportion to the increase in the number of dollars, there is an actual decrease in the supply of money; that is to say, the total amount of money is not able to do so much work as before.

That every discussion which involves a quantitative concept should be preceded by a tolerably clear analysis of the nature of that concept ought to be apparent without discussion. That economics has suffered because economists have failed, in at least two conspicuous cases, to make such an analysis, the writer believes that he has now shown.

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BANK RESERVES IN THE UNITED STATES, CANADA, AND ENGLAND.

I.

BANK reserves are for two purposes: first, to keep credit firm by the possession of enough cash to redeem such notes or deposits as may be presented for payment from day to day in the ordinary course of business; and, second, to be able to respond to unusual and unexpected demands for cash. In addition, after being sufficient to serve these purposes, they may be regarded as a potential loaning power, and may be utilized to prevent, so far as may reasonably be, extreme fluctuations in interest rates, which are equally disturbing to business and disadvantageous to the banks.

How large reserves should be kept to accomplish either or all these ends is a question that is likely to meet with increasing attention and study in the near future. Already it is causing a great deal of discussion in England. Before even an approximate estimate can be made, it is absolutely necessary that it be known what reserves are being carried at present. It is with the hope of furnishing information on this essential point that the present article is written.

The plan briefly is to group the banks of deposit of each country under consideration, to consolidate their balance sheets, and therefrom to ascertain their net liabilities and the amounts of actual cash carried. Savings-banks and similar institutions are excluded, as their requirements as to reserves are naturally different from those of ordinary banks of deposit and discount. It is presumed that the reader is familiar with the banking conditions of the three countries discussed.

II.

In the United States we have to consider banks of four classes,—national, state and private banks, and trust companies. The following consolidated balance sheet is compiled from the returns of the national banks for November 12, 1906, and from those of the State and private banks and trust companies "for 1906," all as given in the reports of the Comptroller of the Currency. It is to be regretted that it is necessary to combine the returns of the State banks and trust companies; but, as the Comptroller of the Currency includes under the classification "State banks" a number of trust companies that, in his opinion, were banks of discount and deposit in fact, and trust companies in name only, it is deemed better to group the two classes as one. The returns of the national banks are absolutely complete, but those of the others are only approximately so. The missing returns are, however, only a small fraction of the whole, and, if they could be obtained, would effect the percentage of reserve but very little, probably decreasing it a trifle.

	6,199 *National Banks Nov.* 12, 1906. (*Millions.*)	9,604 *State Banks and Trust Companies for* 1906. (*Millions.*)	929 *Private Banks for* 1906. (*Millions.*)	*Total.* 16,732 *reporting banks.* (*Millions.*)
Loans and discounts	$4,366.0	$3,850.2	$94.4	$8,310.7
Overdrafts	53.7	33.0	2.0	88.9
United States government bonds	653.8	7.2	.5	661.6
Bonds, stocks, and securities	724.0	1,165.9	6.5	1,896.6
Real estate furniture and fixtures	166.6	194.6	6.7	368.0
Due from other banks and bankers	1,139.6	802.1	24.7	1,966.4
Checks and other cash items, including exchanges for clearing house	414.1	99.8	.6	514.7
Cash on hand	634.5	302.0	6.7	943.3
Five per cent. redemption fund	26.5	—	—	26.5
Other resources	5.7	180.9	1.4	188.2
	$8,185.0	$6,636.2	$144.0	$14,965.3

	6,199 *National Banks Nov. 12, 1906.* (*Millions.*)	9,604 *State Banks and Trust Companies for 1906.* (*Millions.*)	929 *Private Banks for 1906.* (*Millions.*)	*Total.* 16,732 *reporting banks.* (*Millions.*)
Capital stock	$847.5	$690.2	$20.0	$1,557.7
Surplus and undivided profits	687.6	646.4	8.8	1,343.0
Circulation net outstanding	507.3	—	—	507.3
Individual deposits	4,289.7	4,750.4	109.9	9,150.1
Due to other banks and bankers	1,599.9	343.3	1.8	1,945.1
United States deposits and deposits of United States disbursing officers	140.4	—	—	140.4
Other liabilities	112.4	205.8	3.3	321.5
	$8,185.0	$6,636.2	$144.0	$14,965.3

From the above we find the deposit liabilities of the banks, other than deposits with each other, to be as follows:

Individual deposits in the national banks	$4,289,773,899
" " " " State banks and trust cos.,	4,750,401,919
" " " " private banks	109,947,509
United States government deposits in the national banks	140,401,722
Deposits of savings-banks in other banks[1]	156,764,518
	$9,447,289,567

Of the deposits of the banks with each other we need take no account, as we are concerned only with their dealings with the community. Of course, this can be done only from the standpoint of considering all the banks consolidated, as it were. In the case of any one bank or group of banks the deposits of other banks would have to be included.

In addition to the above $9,447,289,567 of deposits, there is another liability of the banks to the people, in the outstanding national bank-notes. There is no special

[1] See Report of Comptroller of the Currency, 1906, p. 35.

reserve required or kept for these notes; and, as they are precisely as much a liability as deposits, each being nothing more than a promise to pay, their amount must be added to the deposits to obtain the banks' total liability. It may be argued that, since the government guarantees their redemption on demand, they occupy the position of legal tender, and need not be considered in the question of reserves. But, tho the government does redeem, it immediately makes itself good from the redemption fund furnished by the banks. The ultimate burden of redemption is on the banks, as it should be. It therefore seems proper to consider the notes as a liability against which a reserve should be kept. Their net amount outstanding is therefore added to the deposits as follows:—

Deposits as above	$9,447,289,567
Net circulation outstanding November 12, 1906 . . .	507,326,146
	$9,954,615,713

Against this liability of nearly ten billions the amount of actual cash was:—

Cash in national banks	$634,550,158
" " 5 per cent. redemption fund	26,546,111
" " State banks and trust companies	302,047,098
" " private banks	6,761,156
	$969,904,523

equivalent to 9.73 per cent. reserve.

The cash held by the national banks consisted of specie and legal tenders. What the other banks held is not exactly known, as their returns on this point are incomplete. In a number of cases the cash held is unclassified. But the amount in doubt is not large in proportion to the whole. Taking the usual ratio in estimating mixed bills, we are probably within the facts in estimating that, of the unclassified cash, $25,000,000 were national bank-notes. Now it is debatable whether bank-notes should

be included in the reserves of State banks or trust companies. Certainly, they ought not to be included in the reserves when, as now, all the banks of the country are being considered as one. Excluding the $25,000,000, the reserve would be reduced to 9½ per cent.

The national banks alone held 13.39 per cent. reserve against their individual and government deposits and circulation; against individual and government deposits alone 14.92 per cent. The State banks and trust companies held against their individual deposits 6.35 per cent., and the private banks 5.24 per cent.

If objection should be made to the inclusion of the national bank-notes in the liabilities of the banks, the situation would stand thus:—

Deposits as above	$9,447,289,567

against which was carried

Cash in national banks	$634,550,158
" " State banks and trust companies	302,047,098
" " private banks	6,761,156
	$943,358,410

equivalent to 9.98 per cent. reserve.

As the bank-notes are excluded from the liabilities, it is, of course, necessary to exclude the 5 per cent. redemption fund from the assets.

The following table is of interest as showing the tendency of the reserves of the national banks to decrease during the past decade. The first column gives the total "net deposits."[1] The second column gives the reserve held

[1] The "net deposits" are the amount, as computed by the Comptroller of the Currency, on which a reserve must be kept. It includes the amounts due to national banks other than reserve agents, to State banks and bankers, to trust companies and savings-banks, and to approved reserve agents,—less the amounts due from national banks other than reserve agents and due from State banks and bankers,—and dividends unpaid, individual deposits, and deposits of United States disbursing officers, less exchanges for clearing house, national bank-notes and amount due from United States Treasurer. It will be noted that government deposits are not included.

in specie and legal tender plus the 5 per cent. redemption fund (as allowed by the Comptroller) plus the amount on deposit with reserve agents. The fourth column gives the reserve in actual cash, specie and legal tender. Similar figures cannot be given for the State banks and trust companies; but, were they obtainable, it is not unlikely that they would show a similar tendency.

NATIONAL BANKS (ON OR ABOUT OCTOBER 1).

	1	2	3	4	5
	Net deposits.	*Reserve held in cash, in redemption fund and on deposit.*	*Ratio of column 2 to column 1.*	*Reserve in cash.*	*Ratio of column 4 to column 1.*
	(Millions.)	*(Millions.)*		*(Millions.)*	
1880	968.0	323.0	33.4	172.5	17.7
1881	1,111.6	321.6	28.9	172.6	15.5
1882	1,118.6	303.9	27.2	174.8	15.6
1883	1,168.7	328.9	28.1	188.4	16.1
1884	1,098.7	346.1	31.6	219.8	20.0
1885	1,248.2	415.4	33.3	263.5	21.1
1886	1,301.8	377.2	29.	225.1	17.3
1887	1,388.4	394.2	28.4	245.0	17.6
1888	1,543.6	446.2	28.9	268.2	17.3
1889	1,655.5	459.6	27.8	264.0	15.9
1890	1,758.7	478.2	27.2	282.7	16.0
1891	1,758.6	497.4	28.3	296.8	16.8
1892	2,022.5	570.9	28.2	327.4	16.1
1893	1,573.7	513.9	32.6	346.4	22.0
1894	2,019.2	660.4	32.7	402.9	19.9
1895	1,989.3	571.4	28.7	340.1	17.1
1896	1,798.7	543.6	30.2	343.1	19.0
1897	2,195.6	695.9	31.7	388.9	17.7
1898	2,479.7	750.5	30.1	420.7	16.9
1899	3,031.5	890.5	29.3	466.3	15.3
1900	3,281.0	983.3	29.7	518.5	15.8
1901	3,661.6	1,012.2	27.6	539.5	14.7
1902	3,844.4	804.3	20.9	508.0	13.2
1903	3,863.5	850.8	22.0	554.3	14.3
1904	4,400.9	987.1	22.4	661.5	15.0
1905	4,735.5	1,027.3	21.7	665.6	14.0
1906	4,927.9	1,020.2	20.7	626.0	12.7

III.

In Canada we have only to consider the banks chartered by the Dominion government. The law requires no reserve to be kept against either notes or deposits. But the banks are obliged to file every month with the Department of Finance statements of their conditions. A copy of the summary of these statements for the month ending December 31, 1906, is here given. It will be noticed in this summary that the deposits are entered in two classes, the first payable on demand and the second payable after notice or on a fixed day. The first class consists of deposits which may be checked against, and on which, as a rule, interest is not paid; the second, of deposits upon which interest is paid and which are not subject to check. Technically, on this second class the banks have the privilege of requiring notice before payment, but, practically, that privilege is waived; and the second class is payable equally with the first class on demand.

Chartered Banks of Canada, December 31, 1906.

Liabilities.

36 Banks:	
Capital subscribed	$97,269,303
Capital paid up	95,509,015
Rest	69,258,007
Notes in circulation	78,416,780
Due Dominion government	4,730,421
Due Provincial governments	9,687,270
Deposits on demand	192,143,482
Deposits payable after notice or on a fixed day	398,765,182
Deposits elsewhere than in Canada	64,191,182
Loans from other banks in Canada secured including bills rediscounted	5,717,720
Deposits made by and balances due to other banks in Canada	6,395,645
Balances due to agencies of the bank or to other banks or agencies in the United Kingdom	8,207,158
Balances due agencies of the bank or to other banks or agencies elsewhere than in Canada and the United Kingdom	1,716,823
Other liabilities	12,684,795
Total liabilities	$782,656,528

Assets.

Specie	$23,752,750
Dominion notes	44,266,154
Deposits with Dominion government to secure note circulation	4,327,669
Notes and checks on other banks	38,937,901
Loans to other banks in Canada secured, including bills rediscounted	5,717,714
Deposits made with and balances due from other banks in Canada	9,832,685
Balances due from agencies of the bank or from other banks or agencies in United Kingdom	7,844,990
Balances due from agencies of the bank or from other banks or agencies elsewhere than in Canada or United Kingdom	15,512,627
Dominion and Provincial government securities	9,536,448
Canadian municipal and British or foreign securities	21,376,833
Railway and other bonds, debentures and stocks	41,455,319
Call and short loans on stocks and bonds in Canada	57,511,747
Call and short loans elsewhere than in Canada	58,958,156
Current loans in Canada	548,684,480
Current loans elsewhere than in Canada	36,474,231
Loans to government of Canada	3,217
Loans to Provincial governments	1,356,967
Real estate other than bank premises	918,028
Mortgages on real estate sold by bank	420,959
Overdue debts	3,048,289
Bank premises	14,860,607
Other assets	9,394,586
Total assets	954,192,546

According to the above statement the total deposits were $669,517,537, and the gross note circulation $78,416,780, a total of $747,934,317. Against this sum was held $68,018,-904 specie and legal tender, a cash reserve of 9.09 per cent.

In addition to their cash the banks held on deposit in foreign banks $13,433,636. This amount is the difference in the above statement of the balances due from agencies of the bank or from other banks or agencies in the United Kingdom, and elsewhere than in Canada and the United Kingdom, and similar balances due to. These foreign bank balances are principally deposits in London, New York, and Chicago, and in estimating the reserve certainly ought

to be included as much as the deposits of our national banks with each other. Adding $13,433,636 to the specie and legal tenders as above, we have a total of $81,452,540 in cash and on deposit, or 10.88 per cent. reserve.

The following table shows the circulation and deposit liabilities of the banks since 1890, together with their reserves in cash and on deposit and their proportions:—

Dec. 31. Year.	No. of Banks.	1 Gross circulation and deposits. (Millions.)	2 Specie and legal tenders. (Millions.)	3 Net foreign balances. (Millions.)	Ratio of column 2 to column 1.	Ratio of columns 2 and 3 to column 1.
1890	40	$174.7	$16.3	$11.7	9.34	16.03
1891	38	194.3	15.9	22.1	8.17	19.58
1892	39	213.8	19.1	18.5	8.88	17.57
1893	39	211.3	21.0	17.4	9.92	18.18
1894	38	222.1	23.2	24.7	10.45	21.57
1895	38	226.9	24.2	21.7	10.66	20.25
1896	38	235.2	23.8	23.1	10.12	19.97
1897	38	267.4	26.0	38.1	9.72	23.95
1898	38	294.3	26.0	32.6	8.85	19.93
1899	38	326.3	27.5	29.1	8.42	17.34
1900	36	356.1	31.5	12.2	8.86	12.28
1901	34	428.7	32.7	16.1	7.62	11.37
1902	35	477.5	37.6	15.9	7.87	11.21
1903	33	504.7	47.0	17.2	9.32	12.73
1904	34	569.4	56.0	26.2	9.84	14.44
1905	34	637.8	58.7	17.0	9.20	11.86
1906	36	747.9	68.0	13.4	9.09	10.88

It will be noticed in the above table that the reserve in cash has been maintained at about the same percentage in a remarkably even way. The decline in the reserves of cash and on deposit is probably more apparent than real. There is reason to believe that, when the Act of 1900 required a more detailed classification of the loans held, several of the larger banks entered, under the head of "call and short loans elsewhere than in Canada," loans made by their agencies in the United States and which they had previously entered under the heading "balances due from agencies," etc. This would account for the sudden drop in their foreign balances in 1900.

IV.

When the student turns to the United Kingdom and attempts to view banking conditions as they exist there to-day, he finds a situation very different from that in Canada or the United States. In the first place the banks are not obliged by law to keep reserves or even to make reports or statements of their condition. It is, therefore, difficult even to know how many banks exist. Apparently, there are, exclusive of some sixty to seventy colonial and foreign banks, about two hundred joint stock and private banks, with some 7,500 offices. It is only within the last thirty years that expediency has induced some among them to make statements of their condition to their stockholders. Indeed, in 1877, when the well-known English writer, Mr. Palgrave, sought to compile such figures, he was assured by people of great experience and high in authority that it could never be done. But time has brought about a change, and to-day ninety-nine banks, including most of the large banks (and, of course, the Bank of England), make annual returns. These returns are by no means complete, but they give us a good deal of information.

The following summary or consolidated balance sheet of the banks making returns for the year 1905 is from the London *Bankers' Magazine* for April 1906:—

Liabilities.	
Capital	£84,564,375
Rest	49,019,032
Acceptances, indorsements, etc.	33,312,891
Deposits and current accounts	881,546,816
Note circulation	43,863,946
Miscellaneous liabilities	8,085,999
Total	£1,100,393,059
Assets.	
Cash in hand, at call, and on short notice	£253,147,748
Government securities	102,623,577
Other securities	111,091,301
Bills discounted, advances, and loans	572,776,036
Acceptances, indorsements, etc., *per contra*	33,312,891
Buildings and sundry assets	27,441,506
Total	£1,100,393,059

For convenience the Bank of England statement for December 29, 1905, is also given. This statement is included in the consolidated balance sheet:—

BANK OF ENGLAND.

Issue Department.

	Liabilities.	Assets.
Notes issued	£45,648,245	
Government debt		£11,015,100
Other securities		7,434,900
Gold coin and bullion		27,198,245
	£45,648,245	£45,648,245

Banking Department.

Proprietors' capital	£14,553,000	
Rest	3,273,248	
Public deposits	7,816,972	
Other deposits	44,221,033	
7 day and other bills	99,413	
Government securities		£12,798,989
Other securities		39,535,486
Notes		16,297,185
Gold and silver coin		1,332,006
	£69,963,666	£69,963,666

As Mr. Palgrave estimates the total deposits of the banks of the United Kingdom, exclusive of those of the colonial and foreign banks, at from one thousand to eleven hundred million pounds, the above summary represents perhaps 80 per cent. of the resources and liabilities of the banks of the country.

The liabilities first claim our attention. Omitting the acceptances and indorsements, which are a contingent liability and concerning which it is a debated question as to whether they require a reserve, we find that the banks are liable to the community for their deposits, current accounts, and note circulation in the sum of £925,410,762. Against this amount there are held in "cash" £253,147,748 (including the coin and bullion held by the Bank of England in both its departments). This so-called cash reserve equals

27 per cent. of the liabilities, and compares with 27 per cent. in 1904, 26 per cent. in 1903, 28 per cent. in 1902, 27 per cent. in 1901, 23 per cent. in 1900, and 24 per cent. in each of the years 1899–1898 and 1897.

But this "cash" reserve is, in fact, by no means a reserve of cash. It includes not only cash in hand, but "cash" at call and at short notice, and there are no official figures to give the proportion of each item. It is much to be regretted that this is the case. Still, some progress can be made, tho it will be far from satisfactory, and the conclusion arrived at can be at best only a guess.

Twenty banks return under separate headings (1) the cash in hand and on deposit in the Bank of England, (2) money at call and on short notice, and show about equal aggregate amounts so held. Banks making this distinction in their accounts are probably quite as strong in the percentage of cash in hand and on deposit in the Bank of England as those banks that do not so differentiate; and it is a fair presumption that, of the total of £253,147,748 "cash" held by all the banks, not over one-half, or say £125,000,000, is in hand or on deposit in the Bank of England. Altho the Bank of England has not since 1877 stated the amount of deposits of the other banks, it is good opinion that they amount to from £20,000,000 or £30,000,000, or from 50 to 75 per cent., of the "other deposits" (that is, deposits other than those of the government). Calling them £25,000,000 and subtracting that amount from £125,000,000, we have left £100,000,000 "cash in hand," or 10.8 per cent. reserve. But part of this "cash in hand" consists of Bank of England notes; and it is understood that part represents checks for clearing and remittances in transit. The amount of Bank of England notes outstanding, exclusive of those held by the bank itself, was £28,500,000. For the sake of argument we may say that half was held by the banks. An estimate by an English writer, Mr. Gibson, places the amount at twenty millions. The total clearings of the London and provincial clearing houses for the year 1905 were £12,900,000,000, or at the rate of £43,000,000 a day. As the re-

porting banks represent about 80 per cent. of the banking done in the United Kingdom, 80 per cent. of £43,000,000, or £34,000,000, might represent their checks for clearing and remittances in transit. Calling it £25,000,000 (to be on the safe side), and deducting that amount, and £14,000,-000 for the Bank of England notes held by the banks, from £100,000,000 "cash in hand," and there is left £61,000,000, which may be the specie held by the banks. This estimate is in accord with current figures as to the total specie in the country. In November, 1905, Mr. A. Clayton Cole, a director of the Bank of England, estimated that the total stock of gold in the United Kingdom, both in the pockets of the people and in the banks, was about £110,000,000; and the director of the United States Mint estimates the stock on December 31, 1905, at £112,000,000. If the estimate of £61,000,000 held by the banks is accurate, the specie reserve would be about 6.5 per cent, nearly one-half of it, or £28,500,000, being in the Bank of England.

It may be objected that, as Bank of England notes are legal tender, they should be included as cash. The above figures would then have to be altered as follows: the £253,-147,748 "cash at hand and at short notice" would be reduced by £27,198,245, the amount of specie and bullion held by the Issue Department of the Bank of England, and increased by £16,297,185, the amount of notes held by the Banking Department, and would become £242,-246,688. One-half of this amount, or £121,000,000, would be the cash at hand and on deposit, and £96,000,000 the cash at hand. Deducting the same allowance of £25,000,000 for checks for clearing and remittances in transit, there is left £71,000,000 specie and Bank of England notes, or 7.6 per cent. reserve.

An interesting corollary is the condition of the joint stock banks exclusive of the Bank of England. Deposits, current accounts, and circulation would then be £843,922,274, specie £32,500,000, and specie and legal tenders £46,500,000. The reserve in specie would be 3.8 per cent., and in specie and legal tenders 5.5 per cent.

During the last few years there has been much discussion in England regarding the inadequate reserves of the banks. As illustrating the criticism of the present situation, the following from the London *Bankers' Magazine* for May, 1906, is of interest:—

> While the specie reserves of individual banks have recently, in some cases, been increased, there has been scarcely a corresponding increase in the reserve of the Bank of England. It is true that as compared with the amount held twenty-five or thirty years since there has been a considerable increase. The liabilities of the bank, however, have increased more largely than the reserve, and the proportion of the reserve itself to the liabilities of the banks generally is distinctly smaller on average than it used to be. . . . Up to the present time none of the suggestions made for meeting the difficulty have been found practicable, though the risks to our business supremacy which an inadequate specie reserve implies increase, and meanwhile the constant variation in the bank rate, which are closely connected with the narrow limits of the reserve, are the source of continual injury to business.

The London *Economist* of November 25, 1905, commenting upon the situation, says,—

> The only question remaining in regard to it [the gold reserve] is how such a perilous defect in our monetary system is to be remedied.

It is hard to see how progress in reaching a solution of this difficult problem can be made until the facts are known; and these cannot be known until the banks are obliged to make complete and uniform statements.[1]

F. S. MEAD.

BROOKLINE, MASS.

[1] Since the above was put in type, the statement of the banks for 1906 have come to hand. The deposits, current accounts, and note circulation were £954,925,638: the cash at hand, at call, and on short notice, £261,637,514: the ratio 27 per cent., the same as in 1905. The deductions drawn from the statements of 1905 and the ratios obtained, if correct for 1905, would be equally so for 1906.

ENGLISH FINANCES UNDER THE LONG PARLIAMENT.

The conservatism of the English people is nowhere more clearly shown than in their retention of a mediæval financial system far into modern times. For nearly three centuries their methods of taxation underwent no great change. The system of compounding for tenths and fifteenths, first employed for raising extraordinary revenue in 1334, continued in use till the accession of Charles I.,[1] not because it was an efficient means of getting money, but on account of the Englishman's dislike of change. By the end of the fifteenth century, therefore, English rulers were facing a serious problem. Throughout the following period the increasing activities of the modern State demanded additional expenditures, and at the same time the rise of prices was reducing the effectiveness of the fixed income for defraying the necessary disbursements. To bring Parliament to make the additional pecuniary sacrifice demanded by the new order of things was a task that gave the Tudors pause, despotic rulers as they were. Henry VII. consequently resorted to benevolences rather than ask for additional grants. Under his successor, subsidies came to supplement the tenths and fifteenths, but the yield fell far short of what was expected. The Tudor sovereigns, by being close-fisted, like Henry VII., or clever, like Henry VIII., or popular and parsimonious, like Elizabeth, managed to make headway without introducing too offensive innovations, and postponed the trouble which came in double measure upon the less practical Stuarts. In the seventeenth century it was no longer possible to keep the machinery of government in motion under the old revenue system. The writs for ship money, introduced by Charles I., proved, however, to be a remedy worse than the disease, and helped

[1] Dowell, *History of Taxation*, i. 123, 245.

to bring about the struggle between king and Parliament,—a struggle which produced as great a revolution in the financial as it did in the political system of England.

When the Civil War broke out in 1642, the existing fiscal machinery of the kingdom was swept away. The wealthier Royalists had a temporary financial advantage, and gave freely of their money, jewels, and abundant plate to equip the king with the sinews of war. The party of Parliament contributed no less eagerly, tho on a humbler scale. "The Rebels," says Captain John Stevens, that stout protagonist of the Royalists, writing in 1725, "as soon as they had by their insolences drove the King from London, they began to exercise their tyrannical Power, and setting their seditious Preachers to work, blew the People into such a Flame, that nothing but their own Ruin could please them. The City of London went foremost in all Mischief; their Money and Plate was found to carry on the Destruction of the Nation, the poorest Wenches being so eager for carrying on that good Cause, as they call'd it, as to throw in their silver Bodkins and Thimbles [1] for want of better Jewels." [2] To those who contributed to the Parliamentary cause the public faith was pledged for repayment, with interest at 8 per cent.[3]

When the first glow of war enthusiasm had died out, and it became evident that the struggle was to be long and serious, the Parliamentary party began to turn its attention to more systematic means for securing the necessary funds. With this end in view an order was issued in Parliament on November 14, 1642, for the appointment of committees, whose chief function was to raise money by loans.[4] Twelve days later the Committee for the Advance of Money was appointed, consisting of sixteen members, of whom five

[1] These unpretentious contributions gained for the Parliamentary forces the epithet of "Thimble and Bodkin Army."

[2] Stevens, John, *An Historical Account of Taxes*, 2d edition, London, 1733, pp. 288-289.

[3] Scobell, i. 40.

[4] Lords' Journals, v. 445–446; Calendar of the Proceedings of the Committee for the Advance of Money, 1642–1656, p. 1.

were peers and four were knights.[1] Additional members were appointed later. This committee, with a treasurer, clerk, registrar, legal counsellor, examiner of witnesses, and six collectors, held its meetings at first in the hall of the Haberdashers' Company in Gresham Street, hired for the purpose at a rent of £60, and later at the house of Sir William Bruncard, Old Palace or the Queen's Court, Westminster.[2] Its treasury, however, always remained at Haberdashers' Hall.

The Committee for the Advance of Money was the first organized fiscal machine of the Commonwealth, and the methods it employed had no precedent in the financial history of England. To procure the needed funds, it laid assessments, sometimes compulsory and sometimes voluntary, on the adherents of both parties, the rates being one-twentieth of the real and one-fifth of the personal property; and to every one who made a loan a public-faith, or Exchequer, bill was issued, pledging repayment. The assessments at first were confined to the vicinity of London, but, as the Parliamentary party gained in strength, the friendly counties began to send in contributions, and if any failed to contribute they were called to account.[3] Parliament was at an advantage in having London on its side. Here much was done by the city officials to assist the committee in obtaining supplies. The Lord Mayor, Sir Isaac Pennington, and Sheriffs John Langham and Thomas Andrews, appointed a sub-committee of twenty-six for collecting assessments in the various wards. The members of this committee appointed their own assessors and collectors, and received weekly contributions.[4] As the needs became more urgent, the authority of the Committee for the Advance of Money was gradually extended. As early as February 9, 1643, it ordered the collectors to learn whether they might

[1] Lord Brooke, Lord Howard of Escrigg, the Earl of Manchester, Lord Say and Sele, Lord Wharton, Sir William Brereton, Sir Thomas Middleton, Sir Thomas Soame, Sir Humphrey Vane, Jr., Walter Long, Edmund Prideaux, William Purefoy, John Pym, William Strode, Samuel Vassall, and Mr. Spurstow.

[2] Cal. Com. Adv. Money, vi. 88, 995.

[3] *Ibid.*, 3, 12, 14.

[4] *Ibid.*, vi.

not levy distress on those refusing to pay subscriptions,[1] and shortly afterward committees were appointed in the various counties for assessing those who had not contributed at all or had not made loans according to their estates or abilities.[2] These measures were preceded, however, by urgent appeals to the people in the vicinity of London. January 7, 1643, both Houses of Parliament issued a declaration showing the necessity of an immediate subscription of money or plate by the people in or near the metropolis for the use of the army. The sums were to be paid in four instalments within three months, in return for which public faith bills were to be given, with interest at 8 per cent.[3] A week later orders were issued that this declaration should be read the following Sunday in the churches of London, Westminster, Southwark, and the suburbs, and the ministers were to exhort the people to subscribe with all expedition. As some ministers failed to comply, the committee issued an order on January 20 that these should obey the mandate on the following Sunday, and that those who had already read the order in their churches should do so again and exhort their parishioners to contribute. After this exhortation the common council in each parish was to take the subscription of as many as possible in church, and on the following day go to the houses of those who had not subscribed and receive their subscriptions. One-fourth of the amount was to be paid two days after the subscription, and one-fourth at the end of each month thereafter. Forms of entry and receipt of subscriptions were provided.[4] Finally, on October 9, 1643, Parliament ordered that all its members who were absent with the king or under arms in his cause should be assessed for their fifth and twentieth parts, and in case of non-payment their estates were to be leased.[5]

The collection of the assessments seems to have been no

[1] Cal. Com. Adv. Money, 13, 14.

[2] Scobell, i. 41.

[3] Lords' Journals, v. 533–535.

[4] Cal. Com. Adv. Money, 11.

[5] Scobell, i. 57–58.

easy task. The valuation of the estates for the assessments was made on the basis of what they would bring in a time of peace, and, as the disturbed conditions incident to the war had caused a decline in property values, this was nearly always too high. Seldom were the assessments fully paid. Mrs. Everett Green states that two account books of this time show that between June 24, 1643, and July 16, 1644, the receipts amounted to £260,306, and the unpaid balance to £1,418,299, or about six times as much.[1] A bundle of forty-six accounts returned unsettled by the assessment collectors contains a variety of answers of those assessed as to why they should not make payment,—they are overrated; they are unable to lend, having no money and being in debt themselves; they have already lent as much as they are able; they are unable to get in their own debts; they cannot pay at present, but will give bond for the sum; they will pay when the plate taken from them is returned; their trade is so decayed that they cannot earn money; they will "consider of it"; their conscience will not allow them to pay it.[2] If a person did not pay his assessment within ten days after the collector served him with a notice, he forfeited his right to a grant of the public faith. In case of refusal to pay, the estate was seized and held until the obligation was fulfilled, and the houses were either let or turned over to destitute persons.[3] Very often the collectors found it impossible to deliver the notices, as the persons would leave their homes to dodge the officer, and the servants either would not know or would refuse to divulge information as to their masters' whereabouts. Houses would often be closed to prevent the levy of a distraint. When a distress was levied, the committee gave the collectors an extra commission for their trouble, and charged all the expenses of the sale, including the extra commission, against the offender. Goods thus seized were sold at Guildhall "by the candle," after being duly adver-

[1] See her introduction to the Calendar of the Committee's Proceedings, vii. ff.

[2] *Ibid.*, 30, 31.

[3] See pp. 183, 238, 242, 303, 351, 383.

tised.[1] When there was no property to be distrained, persons assessed were sometimes taken into custody and held till they made payment.[2]

A sub-committee was appointed in June, 1643, for mitigating any assessments that seemed too high, and every Tuesday and Friday it sat at Haberdashers' Hall as a court of appeal from the assessments made by the local officers. The usual method was to take the affidavit of the complainant as to the amount of his property and his indebtedness before June, 1642, but on application the complainant could appear by counsel. To obtain a hearing, however, half the assessment was required to be deposited in advance, and, if the affidavit proved false, the affiant was condemned to pay the whole amount of the primary assessment. If the sub-committee agreed that the sum deposited was more or less than should be paid, he was reimbursed or required to make further payment, as the case might be. Any circumstances that might call for a mitigation were always taken into consideration. For example, Mrs. Mary Allison, a widow of Salisbury Court, had her assessment reduced on January 19, 1644, from £150 to £20, as her estate in Yorkshire was under the power of the king's army, and twelve grandchildren were chargeable to her for support.[3] Numerous cases of this character appear, assessments being mitigated for services performed or supplies furnished for which no payment had been made, and for damages sustained through the quartering of troops or from injuries inflicted by the king's soldiers.[4] When the persons were away from England, or when their estates were in the hands of the Royalist forces or had been sequestered for delinquency, respites were granted. The only persons exempt were those whose property was less than £100 in value, but well-disposed persons were sometimes allowed by Parliament or

[1] A certain John Fletcher, a large purchaser, and evidently in collusion with the auctioneers, was accused of standing near the candle and extinguishing it by waving his hand or blowing with his mouth at his last bid, when others might have bid higher. Cal. Com. Adv. Money, 129.

[2] *Ibid.*, vii. 231, 270, 289.

[3] *Ibid.*, ix. 326.

[4] *Ibid.*, 182, 192, 254, 255, 247, 258, 311.

by the committee to make voluntary contributions instead of being assessed. The members of both Houses of Parliament and the attendants on the House of Lords were assessed by their colleagues in either House, and not by the committee. In case a person had previously lent money to Parliament, the amount was deducted from his assessment on the production of a receipt or an affidavit to the effect that the loan had not been cancelled by "doubling." This term refers to a practice of Parliament by which it cancelled obligations and at the same time collected additional revenue. When the holder of a public-faith bill presented it with a sum of money equal to its face value, he received an allotment of forfeited estates equal to the value of both the sums paid in; and, as this was the only certain way to secure the redemption of the government certificates of credit, the method was as advantageous to those who had lent large sums as it was to Parliament.[1]

During the years 1643 and 1644 the Committee for the Advance of Money was occupied chiefly with the assessment of fifths and twentieths. In February, 1645, however, its jurisdiction was extended over cases against Royalists or delinquents who, in making their composition before the Committee for Compounding, had concealed part of their estate or solvent credits.[2] Ordinary informers who furnished the committee with information were entitled to one-fifth of the amount obtained as a result of their disclosures, and officers whose pay was in arrears were allowed anywhere from one-third to the whole of the amount—usually a half—so recovered. In thus dealing with its officers to whom it was indebted, the government received money and discharged its indebtedness at the same time. As was to be expected, such a system gave rise to grave abuses, and by April 29 it became necessary to issue an order that no one could furnish the committee with information without a recommendation from a member of Parliament countersigned by the Speaker. At length, on Au-

[1] Cal. Com. Adv. Money, xi. [2] *Ibid.*, 41.

gust 8, 1650, Parliament issued an order requiring informers to give bond in the sum of £200 that they would carry thru their cases, and in the event of their dropping a case once begun, or taking payment to desist from prosecuting or suborning witnesses, they were to be imprisoned.[1]

The nature of the work of the committee gradually changed. At first an organization for exacting forced loans from all persons of property, irrespective of party, the committee evolved into an organ for punishing by money penalties the enemies of the Commonwealth. To its duty of ferreting out the concealed property of delinquents, imposed in 1645, was added on August 6 of the following year the assessing of Royalists who had already compounded for their estates.[2] Nineteen days later the House restricted all assessments of fifths and twentieths to Royalists alone, or to those who had not as yet made any voluntary contribution to Parliament. The Parliamentary party was now gaining in strength, and could afford to relieve its supporters from undue money exactions, and throw one of the most disagreeable burdens on the delinquents alone. A source of complaint was the hazy way in which indictments were lodged against delinquents, making defence difficult. Accordingly, on June 18, 1651, it was ordered that, where charges of delinquency were made, specific acts and the time of their occurrence within a year must be specified, with the place, or the case would be dismissed.[3] On June 5, 1648, it was enacted that assessments were henceforth to be imposed only on those delinquents who came within the ordinance of sequestrations, tho this act was not to prevent the collection of assessments already levied.[4] These delinquents were to be assessed on the estates described by them in writing when they compounded at Goldsmiths' Hall. With this restriction the work of the committee was necessarily curtailed. The delinquents to be dealt with were

[1] Cal. Com. Adv. Money, 83. [2] *Ibid.*, 56. [3] *Ibid.*, 93. [4] *Ibid.*, 70.

not allowed within twenty miles of London, and it was difficult to make settlements with them except at the time they were escorted by guards to Goldsmiths' Hall to make composition for their estates; and, after doing this, they usually had very little left with which to pay their fifths and twentieths.

In April, 1650, the members of the Committee for the Advance of Money were dismissed, and its functions were taken over by the Committee for Compounding. The business of the two committees was from this time transacted by the same body of men, but was kept separate. The Committee for Sequestrations had already gone out of existence. The administrative machinery was now simplified, as the work that had formerly been intrusted to three committees was in the hands of one.

The complete overthrow of the Royalist party was followed by increased activity among the county commissioners charged with making the assessments outside London; and in the period from 1651 to 1653 reports were received by the central committee at London from committees in no fewer than thirty-seven counties,—an indication that the assessments were being levied on delinquents in nearly every part of England.[1] The Act of Pardon in December, 1651, contained the provision that all whose estates were not sequestered by December 1 were to receive discharges on their taking the engagement. Not only did this relieve great numbers from charges, but it caused much loss to those informers who had hired counsel to prosecute cases, as the informer's share was not paid until the money from the delinquent had actually been received.[2]

The issue of public-faith bills, except on special order, was suspended on June 23, 1652; and the suspension

[1] Cal. Com. Adv. Money, 88–110.

[2] Among the informers were a few worthy men, usually officers who could get pay for their services in no other way. As examples of these may be cited Colonels Hutchinson and Venn. Others had no idea but to gain at their neighbors' expense, and still others gave the information to gratify personal malice. *Ibid.*, xiii.

lasted till December 7 of the following year, when it was so modified that those who paid their assessments at the proper time and without the resort to a warrant or distress by the State were entitled to the public faith for repayment. Many took advantage of this order and secured certificates. After the establishment of the Protectorate, the duties of the Committee for the Advance of Money decreased in importance, and gradually came to an end, the functions being taken over by Cromwell. The last entry in its proceedings is dated May 14, 1656.

The Committee for the Advance of Money was not the most important of the numerous administrative bodies appointed by the Long Parliament, but its history is the most interesting as well as the most characteristic; and its period of activity corresponds closely in time with the life of the assembly to which it owed its origin. These facts seem to justify an account of its workings at some length. Somewhat harsher duties were imposed on the Committee for Sequestrations, of which we do not have very much information. On March 31, 1643, Parliament issued an order for the sequestration of delinquents' estates, naming as delinquent fourteen bishops "and all other persons ecclesiastical or temporal as have raised arms against Parliament or in actual warfare against the same or have contributed, when not under the power of the king's army, money, horse, plate, arms, munition, or other aid to the forces against Parliament, or for injuring in any way persons who have assisted the Parliament party." By sequestering as here employed was meant the seizure of the whole property of a delinquent, whose estate was to be let and his goods sold. There was to be a central committee at London, and a sub-committee in each county. The sequestrators were also to seize two-thirds of all the property that belonged to Papists or Recusants, or that was held in trust for them, and were empowered to receive the rents of the tenants of delinquents. Such tenants were to be protected and "saved harmless" from any forfeiture, penalty, or damage on account of

paying their rents to the sequestrators.[1] On August 19 Parliament prescribed an iron-clad oath for suspected Recusants,[2] who, in the event of their being unable to take it, were to forfeit two-thirds of their property. The goods were to be sold by the candle, and one shilling of every pound, or 5 per cent., was to go to the informer. In the case of delinquents, one-fifth of the estate was left intact for the wife and children. Four treasurers were appointed to receive the funds at Guildhall.[3]

The activity of the sequestrators varied according to the strength of the Parliamentary party in the different counties. Where this power was strong, the delinquents were at the mercy of their opponents. Their estates were seized and let at low rates to the members of the county committees or their friends, and their rights to a fifth of the property were often ignored. The result was that the delinquents suffered heavily, while the State got very little. On the other hand, where the Royalists were strongly intrenched, it was difficult to get responsible men to act as sequestrators.[4] In Wales it was found impossible to reach individual delinquents by means of sequestration committees, so strong was the Royalist feeling, and at length a general delinquency tax was imposed, February 23, 1649, on the county of Monmouth and the various counties of South Wales. A tax of £20,500 was to be apportioned and collected in two equal amounts

[1] Scobell, i. 37.

[2] The oath was as follows: I, A. B., do abjure and renounce the Popes Supremacy and Authority over the Catholic Church in General and over myself in Particular; and I do believe that there is not any Transubstantiation in the Sacrament of the Lords Supper, or in the Elements of Bread and Wine after the Consecration thereof, by any person whatsoever; And I do also believe, that there is not any Purgatory, Or that the consecrated Hoast, Crucifixes, or Images, ought to be worshipped, or that any worship is due unto any of them; And I also believe that Salvation cannot be Merited by Works, and all Doctrines in affirmation of the said Points I do abjure and renounce, without any equivocation, Mental Reservation, or secret Evasion whatsoever, taking the Words by me spoken, according to the common and usual meaning of them. *So help me God.*

[3] Scobell, i. 49–52.

[4] Mrs. Green, in her introduction to the Calendar of State Papers, Domestic Series, 1649–50, viii. Referred to hereafter as C. S. P., Dom.

at intervals of ten weeks from the minor delinquents, who were henceforth to be freed from sequestration. The more important delinquents, including all who were excepted from pardon in the proposition submitted to Charles I. at Hampton Court, and all clergymen and prisoners of war, were not to pay this tax, but were reserved for special treatment. All persons worth less than £100 of personalty, or £8 a year, were to be exempt.[1] On August 10 Parliament extended the same arrangement to the six counties of North Wales.[2]

The functions of the Committee for Sequestrations were in a few years completely superseded by the work of a body of men who constituted the most important of the many committees called into existence under the régime of Parliament. This was the Committee for Compounding. Tho it developed into a highly important part of the financial administration of the Commonwealth, it had an humble origin. On September 28, 1643, after the Scotch army in Ireland began to make more and more insistent demands for pay, the House of Commons appointed a committee to confer with a similar body to be chosen by the Lord Mayor and Common Council of London as to the best means of negotiating loans to pay the Scots, and to agree upon some satisfactory security for the sums lent.[3] The committee at first had two functions,—to raise money and to disburse it to the Scots. Those whose duty it was to negotiate loans were called the Goldsmiths' Hall Committee, while those who did the disbursing were called at first the Committee for Scottish Affairs,—a name, however, that soon fell into disuse, and the name of Goldsmiths' Hall Committee then designated both the receivers and the dispensers of the loans. The warrants issued by the committee show that considerable sums were sent to "our brethren of Scotland for assistance in the war."[4]

[1] C. S. P., Dom., 1649-50, 13. [2] *Ibid.*, 271.

[3] Calendar of the Proceedings of the Committee for Compounding, 1.

[4] *Ibid.*, i. 778 ff.

At first the committee was occupied only with presenting the names of persons in London and Westminster who, they thought, could make loans to Parliament; but in July, 1644, they began their dealing with delinquents, which was henceforth their particular function, and they consequently supplanted the Committee for Sequestrations. At first, however, they did not prosecute delinquents as the sequestrators did, but merely authorized the sale, at six or eight years' purchase, of estates already sequestered. It was stipulated that the rates should always be the same as those the estates were rented for before the war began.[1] August 6, 1644, the committee began compounding with those imprisoned in and around London, and also with those whose estates were already sequestered, and who were willing to save part of them by a composition.[2] September 13, 1644, owing to the necessity of speedily raising £15,000 for a month's pay for Lord Fairfax's army, the House of Commons ordered a general composition with all those it had proclaimed as delinquents, and the activities of the committee were greatly increased.[3] As the Goldsmiths' Hall Committee acted directly with the delinquents themselves, and not through sub-committees in the counties, its work was free from many of the abuses attending the operations of the county sequestrators. The delinquents were allowed to enter London on a pass issued by the Speaker, and on reaching the city were escorted by guards directly to Goldsmiths' Hall, where they compounded for their estates according to the nature of their offence. Those who had taken part in one of the wars were required to compound for a sixth; that is, they were fined to the amount of one-sixth of their estates. Those who had taken part in both wars compounded for a third, and delinquent members

[1] Calendar of the Proceedings of the Committee for Compounding, 7.

[2] *Ibid.*, 8.

[3] *Ibid.*, 10. An order by the committee on September 20 shows that it was the intention of the Commons to restrict the compositions to those it had declared delinquents, tho the order of the House does not make any definite statement to this effect.

of Parliament for a half. In case the delinquent had been in a city that surrendered to the Parliamentary forces, he made his composition in accordance with the terms of capitulation.[1]

March 3, 1645, the committee declared to Parliament that no better means of raising money existed than that of composition with delinquents; and three days later it asked that, instead of being confined to the consideration of cases recommended by particular orders, it should have the power to compound with any delinquents who should offer to make direct composition, the proceedings to have the approval of the House of Commons before being definitely concluded.[2] This request was granted, and the committee consequently received a much wider scope of action. At first the word of the compounder as to the value of his estate was not accepted, and he was required to bring in a certificate of the value signed by the county commissioners.[3] On December 6, 1645, however, this requirement was repealed by Parliament, owing to the inconvenience it caused those who had estates in several counties,[4] and on the 13th it was enacted that in case a delinquent were found guilty of undervaluing his estate or concealing part of it the amount of his composition should be doubled, and he should forfeit the personalty concealed. On June 13, 1648, this rule was modified, so that a payment of half the value of the concealed property was allowed to redeem it, and a reward of one shilling in the pound was to go to the discoverer.[5] The sequestrators in the counties gave the committee some trouble by refusing to discharge the sequestrations of the compounders' estates, when ordered to do so.[6] Those who compounded were not subject to sequestration, and were released from any proceedings that had already begun in this direction.

It will be observed that, when the estate of a Royalist was sequestered, he was fortunate to be able to retain

[1] C. S. P., Dom., 1649-50, ix.
[2] Cal. of Com. for Comp., 17, 18.
[3] *Ibid.*, 24.
[4] *Ibid.*, 29.
[5] *Ibid.*, 125.
[6] *Ibid.* 23.

a fifth, but, if he went into the city and made composition at Goldsmiths' Hall, he was merely fined a sixth, a third, or a half of his property, according to the nature of his delinquency. The Royalists, therefore, had an advantage in the new method of the State in collecting revenue from them. But the advantage was not with them alone. The State also profited. In the first place the money was paid directly into the treasury in London, and there was no chance for it to disappear in the pockets of county officials. In the second place there was no necessity of proving delinquency,—the fact that a person went before the committee and offered to compound being sufficient proof,—and hence no delays from litigation. Thus the delinquents received milder treatment, and the State made easier and quicker collections than thru the two devices previously described. The number of compounders was enormous, and would possibly have been somewhat larger but for the fact that, as soon as a person made composition at Goldsmiths' Hall, he was sent straight to Haberdashers' Hall to pay his fifth and twentieth.[1] According to Mrs. Green, the total amount compounded in eight years was £1,304,957, a sum equivalent to-day to five million pounds; and this does not include the estates of the wealthiest Royalists or of those remaining abroad, the property of these being confiscated by the Committee for Sequestrations.[2] Advowsons, too, were not subject to composition, but were reserved for the disposal of Parliament.[3] In the northern counties it was found necessary to send a special commission to compound with the delinquents, and Sir Arthur Hesilrigge and others were despatched thither to perform this duty in the summer and autumn of 1649.[4] In 1650 the members of the Committee for Compounding took over the functions of the Committee for the Advance of Money, and con-

[1] Statement of Sir David Watkins, Cal. of Com. for Comp., 23.

[2] C. S. P., Dom., 1649–50, xi.

[3] Cal. of Com. for Comp., 32.

[4] C. S. P., Dom., 1649–50, xxvii.

tinued their work, tho in a diminishing degree, under the Protectorate.

There were a number of committees of minor importance, of which we have less complete information. The Committee for Plundered Ministers (1645–53) was created for the purpose of increasing the income of neighboring loyal ministers from the revenues derived from the rectories, tithes, and estates of delinquent clergy.[1] The Committee for Indemnity (1649–56) was charged with protecting against the legal consequences of their acts those who for the service of the State had made requisitions of horses and goods, had damaged lands or crops, or had taken free quarter. It could suspend the action of the law in all cases where it was proved that the violation was done in the service of Parliament. As it could compel landlords to deduct from their tenants' rent the amounts the latter had paid for assessments or for freedom from quartering,[2] it greatly aided in the collection of these charges. A further duty was to protect the purchasers of sequestered estates against the original owners.[3] The Army Committee had a great control over expenditures; but its records, such as exist, are not yet available.[4] The same is true of the Committee for taking the Accounts of the Kingdom, which looked into the accounts of all persons who handled public moneys.[5] There were also a Mint Committee, a Revenue Committee, a Committee for removing Obstructions in the Sale of Delinquents' Lands, and a Committee of Trustees for the Sale of Fee-farm or Crown Lands, the titles of which sufficiently explain their functions.

The revenue from the fifths and twentieths and from

[1] C. S. P., Dom., 1649–50, xi.

[2] With regard to payments to secure freedom from the quartering of troops, it should be stated that the county of Lincoln in May, 1649, levied a special assessment on its citizens in order to secure them exemption from billeting. Whether this expedient was generally employed elsewhere, I have not been able to determine. See C. S. P., Dom., 1649–50, 150.

[3] *Ibid.*, xi.

[4] Cal. Com. Adv. of Money, i.

[5] See Scobell, i. 62–64.

the estates of delinquents was insufficient for the extraordinary expenditures occasioned by the Civil War, and it became necessary to resort to taxation. The old system of subsidies was tried at first. As this proved inadequate, Parliament resorted to a plan that had been advocated by Charles I.,—the apportioned tax commonly known as the monthly assessment. The amount of revenue to be raised was apportioned among the counties and towns on the basis of their highest returns under the old subsidy system. Each local unit was made responsible for its share; and the levying and collection were left with the local authorities, who proceeded in accordance with certain rules stated in the ordinance levying the tax. It should be observed, then, that, while the assessments made by the Committee for the Advance of Money were rated (that is, every one paid at the same rate), the monthly assessments might be levied at different rates in different counties, the ratio varying as the county's portion was light or heavy as compared with its neighbors. Under the system of subsidies the burden of the tax fell on the landholders. The assessments were intended to reach all kinds of property equally, and for a time may have been an improvement; but their justice depended, as in the case of all apportioned taxes, on the fairness with which they were apportioned among the counties. The former returns of the old subsidies were by no means an ideal basis of distribution. As an apportioned tax, however, it had the advantage of securing a fixed sum for the treasury, regardless of the rates levied in the various counties. The monthly sums assessed and the periods covered by them were as follows:—

1. £10,000, from September, 1644, to June, 1647.
2. £60,000, from July, 1647, to March, 1648–49.[1]
3. £20,000, from February, 1647–48, to July, 1648.
4. £90,000, from April, 1649, to March, 1649–50.
5. £60,000, from April, 1650, to June, 1650.

[1] The legal year in this period came to a close in March, and this has to be borne constantly in mind to avoid confusion of dates.

6. £90,000, from July, 1650, to September, 1650.
7. £60,000, from October, 1650, to December, 1650.
8. £120,000, from January, 1650–51, to December, 1651.[1]
9. £90,000, from January, 1651–52, to December, 1652.[1]
10. £120,000, from January, 1652–53, to May, 1654.

The assessments were levied to cover military expenditures, and always for short periods, being renewed at intervals of from three to six months, sometimes for the same amount and sometimes for a larger or smaller sum, as the needs of the army and navy seemed to demand.[2] From the short period for which each assessment was levied, it appears to have been the intention of Parliament to remove this form of taxation at the earliest moment; but such a measure never became practicable.

The monthly assessments proved wholly inadequate to meet the expenses of the military equipment, and other measures were resorted to. On April 12, 1649, before Cromwell's invasion of Ireland, Parliament sent a committee before the citizens of London, and urged them to make a loan. The mission was unsuccessful.[3] It was then necessary to resort to a sale of Deans' and Chapters' lands, a resource not yet tried, and accordingly on April 30 an act for the abolition of Deans and Chapters was passed, as the preliminary step.[4] To stimulate the sale, persons who had formerly made loans were allowed the privilege of doubling. Lands of the king and royal family were likewise disposed of, and such sales secured the political advantage by strengthening the purchasers in their adherence to the government. The king's art treasures—a collection of Titians and Vandykes—were disposed of, and some fanatics in Parliament even advocated a demolition of the cathedrals, that the building materials in them might be disposed of for revenue.[5]

[1] One year.

[2] See Scobell, i. 74, 128, 144, 180; ii. 8, 71, 149, 154, 175, 177, 192, 226, 235, 272. Commons' Journals, iii. 666.

[3] Gardiner, *Commonwealth and Protectorate*, i. 44.

[4] *Ibid.*, i. 55; Commons' Journals, vi. 198.

[5] Gardiner, i. 418.

Indirect taxes were laid during the same time. In the customs duties there was no marked departure from the practice preceding the Civil War. The great innovation was the introduction of internal revenue duties, or the excise, March 28, 1643. Ale, beer, cider, perry, and strong waters were among the articles taxed, and others were added the following year,—flesh, victuals, salt, in January; and, in July, alum, copperas, Monmouth caps, hats, hops, saffron, silks, starch, etc.[1] As was the case with the monthly assessments, the excise was imposed at first for a limited time, but it was necessary to continue it by various ordinances,[2] and finally, in 1656, a schedule of rates was established. It is difficult to compare the customs duties on foreign goods with the internal duties on native commodities, owing to the different units of rating. The excise tax was lower than the import duty, however, as can be shown whenever a comparison is possible. For example, foreign hops paid ten shillings the ton, and English hops only two shillings; foreign soap six shillings the hundredweight, and English soap only four shillings per barrel. From November 15, 1643, to August 28, 1647, the excise was imposed on flesh, and this was one of the most unpopular features of the measure. After this was repealed and Englishmen had become accustomed to the excise, Parliament declared the tax "the most equal and indifferent that could be laid on the people." Nevertheless, as late as 1652 there were outbreaks in Wales, when the officers sought to collect the excise, and in Plymouth also, about the same time, the officials received abusive treatment.[3]

The central office for the collection of the excise was situated in London, and commissioners of excise were appointed by Parliament. Subordinate officers were chosen for various parts of England and Wales. In September, 1649, the commissioners were empowered to farm the excise,

[1] Dowell, *History of Taxation*, ii. 9; Scobell, i. 49, 59, 60, 73.

[2] Scobell, i. 68, 74, 75, 98; ii. 72, 452–457; Dowell, ii. 9–11.

[3] C. S. P., Dom., 1651–52, 396, 445–447.

and a number of records survive showing how this was done. On April 5, 1653, the excise on all inland commodities in the North Riding of York was farmed for £730,[1] and the county of Dorset (certain towns being excepted) for £900, both for a term of six months. On April 8 the county of Essex was farmed for £3,405; Cambridge and Huntingdon combined for £3,000; and Norfolk, including Norwich and the suburbs of Thetford in Suffolk County, for a quarter of a year for £2,000.[2] The administration of the excise gave ground for complaint by many who thought it antagonistic to the liberties of Englishmen, and pamphleteers attacked it even as late as the second year of the Protectorate.[3] The revenue from the excise tax was devoted in great part to provisioning the army, and was thus an important supplement to the proceeds from the monthly assessments, which furnished a part of the pay for officers and men.

For the purpose of raising auxiliaries, a weekly meal tax, the price of one meal a week, was levied for six years during the Commonwealth period, and produced a total revenue of £608,400.[4]

Taxes and expenditures under the Long Parliament reached an unheard of figure, in spite of the fact that the Parliamentary party in the beginning had raised its voice against oppressive taxation. The unsettled state of affairs at home, the invasion of Ireland in 1649, the threatening attitude of Scotland, the naval struggle with Holland, all necessitated strong and well-equipped military and naval establishments and extraordinary disbursements from the national purse. There is no complete statement available of the expenditures of the period, but an estimate of the military and naval expenses for the year 1649, made by a member of Parliament, places the amount at a little over

[1] C. S. P., Dom., 1652–53, 252. [2] *Ibid.*, 270.

[3] The following is the title of a pamphlet issued at London in 1654 by William Prynne: *A declaration and protestation against the illegal, detestable, oft-condemned new tax and extortion of excise in general, and for hops (a native uncertain commodity) in particular.*

[4] Stevens, *History of Taxes*, 290.

£2,500,000.[1] In the budget for the year 1610, under the extravagant monarch James I., the total amount for all purposes was £509,000, and under Charles I., in 1635, was £818,000, including the estimate for ship money. A comparison of these figures will give some idea of the enormous increase under Parliamentary rule, largely due, however, to circumstances entirely beyond the control of any legislative body.

After 1649 all the warrants for the payment of money were issued by the direct authority of the Council of State, and for this year the support of the war in Ireland formed by far the largest item of expenditure.[2] From March 7, 1649, to February 15, 1650, 491 warrants were issued, and 249 of these are explicitly stated to be for the purpose of carrying on the war in Ireland, while a good part of the rest were for military purposes, tho it is not expressly stated that they are issued for the service in Ireland.

A word is now necessary with regard to the state of the treasury in this period. From the outbreak of the Civil War till Cromwell's dissolution of the Long Parliament it was in confusion. The receipts from each special source were credited to a separate fund, and each fund had its own treasurer or treasurers, thus entailing extra labor and expense and greatly complicating the financial administration. In the years 1649–1650 there were no fewer than ten funds, as follows: Goldsmiths' Hall Fund, consisting of the proceeds arising from the work of the Committee for Compounding; the Old Ordinances for Ireland Fund, raised by weekly assessments of £10,000 per month; the Public Revenue Fund, composed of what was once the king's revenue; the Delinquents' Estates Fund, raised from the estates of delinquents by order of Parliament; Deans' and Chapters' Lands Fund, one-third of which was reserved for the navy, one-third for exigencies, and one-third for Ireland; the Ordinance for Ireland Fund, raised by monthly assessments of £20,000 a month; the Army Treasury Fund, the

[1] Commons' Journals, vi. 467.
[2] C. S. P., Dom., 1649–50, 572–600.

proceeds of the assessment of £90,000 per month for the army in England and Ireland; the Excise Fund, being £150,000 reserved from the excise receipts for the payment of arrears due officers and soldiers, by order of Parliament, May 28, 1647; the fund at the disposal of the Council of State; and the fund raised by the sale of prize ships and goods.[1] As every warrant was assigned to a particular fund, the chances of its being paid promptly depended on the condition of that fund. After its issue a warrant was often transferred to another fund in order to secure its payment, and this added to the confusion. Large sums, too, were sometimes transferred directly from one fund to another. As a result, tho the warrants for the payment of money have been made accessible, the numerous orders for transfers, which represent no real disbursement, but are included with the other warrants and cannot always be separated from them, make it impossible to give any accurate statement as to the condition of the treasury at any given period. The numerous subdivisions of the treasury facilitated fraud as well as increased expenses. One Abraham Granger originated a system of counterfeiting warrants, and after his arrest in 1654 confessed that he had circulated spurious debentures and public faith bills, and had secured moneys at the treasuries by means of bogus warrants. He and his agents had issued $235,000 in debentures.[2]

Such a cumbrous system demanded reform, and there were numerous unsuccessful efforts in this direction. A committee was appointed by the Council of State on June 16, 1649, "to consider how the treasury of the Commonwealth could be run in one channel,"[3] and on November 15 an act with this end in view was prepared by the Council, and ordered to be read before the House.[4] Nothing was done. Three years later, on September 30, 1652, the Council deputed a member to go before the Commons and remind

[1] C. S. P., Dom., 1649–50, xxxi. ff.

[2] C. S. P., Dom., 1654, ix. 415–419.

[3] *Ibid.* 1649–50, 188.

[4] *Ibid.*, 394.

them of the distracted state of the treasury, and of a bill pending for a remedy.[1] Not, however, till Cromwell dissolved the Parliament was the needed reform effected. On June 21, 1654, an ordinance of the Protector and Council provided for the bringing of all the revenues of the Commonwealth into a single treasury, the Exchequer at Westminster. Henceforth all commissioners, treasurers, and trustees were to make payments at the Exchequer, and disbursements were to be made by warrant of the great or privy seal.[2] Finally, on September 2, treasury commissioners were appointed to look after the funds paid into the Exchequer, and to lease lands, fix rents, pay salaries, dismiss officers not needed, and fix the pay of those not specially provided for the Protector and Council.[3] A large number of high-salaried officers was thus done away with.

The other important financial measures of this period concern the post-office and the mint. In 1646 the courts declared the royal patent giving a monopoly of the post void, and in May the management of the inland post was placed in the hands of Attorney-General Prideaux, who was held responsible for the profits and was to give a quarterly account.[4] Nothing further was done, till November 7, 1651, when the Council of State decided that the office should be let to farm. Various proposals were offered, and the consideration of these dragged on for many weary months. In the mean time a private firm, taking courage from the decision of the courts, had established an independent post, and was carrying letters cheaper than was done under the royal monopoly. There were now two competing posts, and a good deal of friction sprang up between the competitors, which often led to violence. On several occasions the employees of one company were waylaid by the servants of the other, and rioting and bloodshed resulted. Prideaux, it appears, finally gave up the management of the post, and on June 30, 1653, it was farmed to

[1] C. S. P., Dom., 1652, 423 ff.

[2] *Ibid.*, 1654, 215–216.

[3] *Ibid.*, 356.

[4] *Ibid.*, 1654, 22 ff.

John Manley for £8,259,193. The other offers ranged between eight and ten thousand pounds. Manley was required to carry all public despatches free, to make quarterly payments, and to keep up a weekly intercourse between England and Ireland.[1]

The mint also was in great disorder. There was much complaint of counterfeiting and of light and clipped money being sent to Ireland.[2] An English merchant in 1652, writing from Amsterdam to Sir Robert Stone in London, paints a dismal picture of English monetary matters, the bad state of affairs being due, he says, to counterfeiting and clipping. He states that it is of common report that a greater amount of the new coinage had been counterfeited than had been coined by the government. When the garrisons of the king at Bristol, Shrewsbury, York, Oxford, and Carlisle surrendered, the machinery of the mints of these places fell into the hands of adventurers, who made a counterfeit coin by melting silver and pewter dishes.[3] In 1652 the Council made an improvement by adopting a style of coin submitted by Pierre Blondeau, a Frenchman. Blondeau's coin was marked on the edge so as to prevent clipping and filing, and was accepted in spite of the protests of the Englishmen in the mint, who were unable to copy his model.[4]

Such are some of the salient features of financial administration under the Long Parliament. A number of the enactments by this body have proved of lasting effect on the English system of State housekeeping. The sequestration of the Royalist estates was a potent factor in accomplishing the abolition of feudal aids after the Restoration. The excise, in spite of the storm of opposition it had once evoked, was retained when royalty was restored to power,—a good indication that it was an efficient means of gathering revenue. Tho the monthly assessments were discontinued

[1] C. S. P., Dom., 1652-53, xxi. 449-455.

[2] *Ibid.*, 1651-52, xxv. 153-157.

[3] *Ibid.*, 1651-52, 260-63.

[4] *Ibid.*, 154-157.

at this time, they received a new trial a few months later.[1] The fact that the innovations made in fiscal administration during the period of the Commonwealth were not set aside with the fall of the Protectorate would seem to indicate that the new system was satisfactory, or at least that no better one could be devised. The substitution of the assessments for the subsidies was a step in the advance from mediæval to modern methods of taxation. Yet neither in this measure nor in the introduction of the excise did Parliament show any originality. As already stated, the monthly assessment had been proposed by Charles I., and the excise was at that time common to all parts of Europe. The administration of the Long Parliament cannot be called economical, but political circumstances necessitated extraordinary expenditures. It has become a maxim, too, that a people will endure taxes imposed by a representative body at its own initiative which they would not tolerate for a moment under an absolute monarchy. To this rule the financial history of the Commonwealth offers no exception.

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[1] For an account of the financial measures of the reign of Charles II., see an article by W. A. Shaw, entitled "The Beginnings of the National Debt," in *Historical Essays by Members of the Owens College*, 1902, pp. 391–422.

NOTES AND MEMORANDA.

LAWS REGULATING THE MIGRATION OF RUSSIANS THROUGH GERMANY.

For a clear understanding of the regulations affecting the migration of Russians thru Germany, it is essential to have some idea of the motives which induce the German government to enact such legislation. Germany is very anxious to build up her merchant marine. In her trade with the United States she exports manufactured articles whose bulk is small, with the possible exception of sugar, while she imports mostly bulky raw material. As a result, German ships would have to travel westward only half-loaded, and freight rates would have to be higher on this account,—a great handicap in the international struggle for the transatlantic carrying trade. The possibility of filling the westward-bound vessels with immigrants, and of charging high prices for their transportation, enables Germany to reduce her freight rates, and to compete successfully with England's merchant marine. It is essential, then, for Germany's trade interests to have a continuous current of westward immigration fill her vessels with human freight.[1]

Until recent years the emigration from Germany was large, and her own emigrants filled up the deck space of her westward-bound steamers. But German emigration has greatly decreased, and in 1900 only about 9 per cent. of the emigrants leaving Hamburg and Bremen were natives of Germany.[2] It became necessary for Germany to secure

[1] Dr. Kurt Wiedenfeld, *Die nordwesteuropäischen Welthäfen in ihrer Verkehrs und Handelsbedeutung*, Publications of the Geographical Institute at the University of Berlin, Heft 3, January, 1903, pp. 357, 358.

[2] *Idem*, p. 356.

the transportation across the ocean of the emigrants leaving Russia for the United States. These emigrants, for purely geographical reasons, travelled thru Germany; and she had a good opportunity of directing them toward the German vessels belonging to the Hamburg-American Line and the North German Lloyd.

The Russian emigrant, then, was desirable as a transportable commodity. But Germany always had a strong feeling against the elements of the Russian population which emigrated to the United States. They were malcontents, who were dangerous to Germany's political stability. Germany wanted the Russians to embark on German ships, but she was desirous that none of them should remain in German territory.

Such were the motives of the regulative legislation which we are briefly to consider. These laws, or regulations, it is to be noted, were passed by Prussia. They are not laws of the German empire. Tentative regulations were established on May 6, 1892, and May 27, 1893; but the first important rule was proclaimed in a circular of the Prussian Minister of the Interior on October 8, 1893. It read: "Russian emigrants are prohibited from entering the Prussian monarchy, unless they possess a lawful passport, a ticket to America, and a sufficient sum of money to secure their transportation to their destination in America. Persons over ten years of age must show 400 marks, younger persons 100 marks. The persons, however, who have steamship tickets for one of the German lines are not required to produce any cash." [1]

This interesting "regulation" does not define the word "emigrant," and leaves it to the discretion of the police to decide who belong to that class. As a result, the regulations are applied to people whose clothes do not come up to the minimum requirement for a non-emigrant in the eyes of a German policeman, and to persons who travel in the fourth class on the railroads.

In this way the two purposes of the German govern-

[1] *Preussisches Ministerialblatt für innere Verwaltung*, 1893, p. 247.

ment are accomplished. The transportation companies are assured a supply of a profitable freight, and German political stability is not endangered by an influx of the revolutionary population of the Russian empire.

Before considering the next enactment on the matter, we have to present a little historical information. In 1892 a cholera epidemic broke out in Hamburg. The governments of Hamburg and Bremen prohibited the entrance of Russian emigrants into their territories, thinking that they brought the disease. This was a blow for the steamship companies. A conference of the interested parties was called. The companies decided to build a quarantine station where all the emigrants could be inspected before entering Hamburg or Bremen. Soon after Prussia demanded similar precautions, and the transportation companies erected nine sanitary inspection stations on the Russo-German frontier. After the epidemic was over, these quarantine stations were retained by the Prussian government, and Russian emigrants had to go through those stations before being admitted to Prussian territory. The steamship companies agreed to bear all the expense of this inspection. On April 3, 1895, another regulation was issued,[1] which required from a Russian emigrant the same things as the law of 1893, but waived all these requirements, including the possession of a passport, if only the representatives of the Hamburg-American Line or of the North German Lloyd took charge of the emigrant's transportation to the United States. In any other case the absence of any of the prescribed possessions made the emigrant liable to deportation to the Russian frontier. Fines up to 60 marks were established for the attempt to evade the quarantine stations.

The regulations work great hardship. After temporary detention at quarantine, the Russian emigrants are treated literally as prisoners of the transportation companies. The trains conveying them to Hamburg or Bremen are

[1] *Preussisches Ministerialblatt für innere Verwaltung*, 1895, p. 129.

escorted by police, and the compartments are locked when the train stops at the stations.

The only additional legislation since 1895 is the law of February 26, 1905,[1] which bars from Germany Russian emigrants who possess passports, the required cash, and steamship tickets, unless these tickets are for one of the transportation lines which have secured concessions from Germany.

These restrictions throw a good many difficulties in the way of Russian emigrants. Not long ago twenty of them who possessed tickets for a Holland-American steamer, but did not possess the required sum of money, succeeded in reaching the frontier of Holland, and there, where Germany's concern in them should have ceased, they were caught by the German authorities, detained for some time in the Frankfurt Prison, and then deported to Russia.[2]

All this Prussian legislation is seemingly a violation of Section 1 of Article IV. of the constitution of the German empire, which provides that all legislation about and control of foreigners in the country should be left in the hands of the imperial government. In addition, the interference with the interests and the personal liberty of the subjects of one country by the administration of another is certainly a breach of international comity, if not a violation of international law. Russia's acquiescence in the discrimination against her subjects is due to the fact that the large majority of the emigrants belong in Russia within the pale of Jewish settlement, and are outside the pale of law.

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[1] *Preussisches Ministerialblatt für innere Verwaltung*, 1905, p. 48.

[2] *Frankfurter Zeitung*, 1905, Nos. 229 and 230.

THE WISCONSIN TAX DECISIONS OF JUNE, 1906.

During the session of 1905–06 the Wisconsin Supreme Court handed down three decisions,[1] all dealing with taxation and all delivered on the same day, which contain so many legal interpretations of interest to economists that they deserve somewhat extended notice.

The arguments in all these cases centred around section 1, article 8, of the Constitution of Wisconsin, which declares that "the rule of taxation shall be uniform, and taxes shall be levied on such property as the legislature shall prescribe." For more than fifty years nobody has known what this provision of the constitution really means. Many eminent authorities have held that under it the Wisconsin legislature could levy practically nothing but proportional property taxes; others have maintained that the legislature could levy other kinds of taxes, but that in any case the rate must be proportional; whilst the most liberal interpreters have held that the legislature could impose any of the ordinary commonwealth taxes, and in each tax could exercise the right of reasonable classification with respect to form and rates which the decisions of the federal courts have made familiar.

This irritating uncertainty has finally been removed by the decisions under consideration. The Supreme Court took a position midway between the two extremes, but made its position perfectly clear. The legislature is not confined to taxes upon property, but may employ privilege, occupation, poll, excise, license, inheritance, and other taxes customarily used by American Commonwealths. Property taxes, however, must be uniform and propor-

[1] Chicago & Northwestern R.R. Co. *et al.* v. State, State v. Chicago & Northwestern R.R. Co. *et al.*, and Nunnemacher v. State, all of which may be found in the *Northwestern Reporter*, vol. 108, to which all page references not otherwise designated refer.

tional, altho this obligation of uniformity refers to essence and substantial burden, not to form and incident. With respect to other taxes—those not referred to in the constitutional clause cited—the legislature has wider discretion, and may vary the rate as well as the form, subject only to the limitations of the doctrine of reasonable classification. This unequivocal interpretation of the constitution brings a grateful sense of relief to the people of Wisconsin. Previous opinions have been so obscure and in some instances so narrow in spirit that recently, when a group of advanced legislators wished to introduce an income tax in Wisconsin, they wasted no time in attempting to pass a statute, but submitted the question directly to the people in the form of a constitutional amendment.

I. The first group of cases cited above, the "penalty cases," grew out of the attempt of the State to collect certain penalties for false or wrongful reports of gross receipts, upon which basis, it will be remembered, Wisconsin railroads were taxed until 1903, when the gross receipts tax was replaced by the so-called ad valorem tax. In May, 1903, the administration determined, in Governor La Follette's words, "to ascertain, if possible, whether the State had been wronged by the railroad companies in the amounts which they had been reporting annually as the sum of their gross earnings for taxation."[1] This investigation resulted in the discovery of what seems to be incontrovertible evidence of unlawful discrimination among competing shippers, in addition to very considerable charges and accounts which had been wrongfully withheld from the statements of gross receipts made by the railroads for purposes of taxation.[2] At the time of this last report the investigation of the railroad commissioner had covered the accounts and vouchers of nearly all the railroads of the State for the years 1897–1903, and in the case of three of the larger roads had been carried back to the year 1894. The railroad commissioner's

[1] Message of Governor Robert M. La Follette to the Wisconsin legislature, May 16, 1905.

[2] See Special Reports of Railroad Commissioner John W. Thomas, March 23, 1905, and July 6, 1906.

recapitulation of the amounts which, it is alleged, were wrongfully treated by the railroads in their reports is given immediately below, and will serve to call attention to the general character of the items concerning whose inclusion among gross receipts the difference of opinion exists:—

AMOUNTS DEDUCTED FROM GROSS EARNINGS BEFORE REPORT FOR TAXES.

Commissions and repayments to shippers	$6,856,988.75
Commissions and repayments on passenger traffic	872,661.70
Expense of operating hotels	1,600.96
Expense of operating sleeping cars	13,728.91
By refunds to shippers from Kansas City and Omaha to Chicago, on freight which never entered the State and no part of which was credited to the State	47,008.46

AMOUNTS NOT REPORTED FOR TAXES THAT ARE A PART OF GROSS EARNINGS.

Car mileage, credit balance	$1,070,856.11
Switching charges collected	2,314,309.02
Storage, demurrage, and miscellaneous	165,304.09
Rentals of tracks and terminals	905,684.48
Total	$12,248,142.48

What proportion of the commissions and rebates unearthed in the investigation actually constituted unlawful discriminations, and what proportion of the above amounts were, in the proper interpretation, wrongfully deducted or omitted from the statement of gross receipts, are undecided questions which, in justice to the railroads, should not be prejudged. This much may be said, however. The case under discussion was argued and adjudicated on the basis of certain stipulations as to the facts upon which both parties agreed. In the first of these stipulations the railroads admitted that certain earnings had been omitted from their statements of gross receipts, and that "some of the items so omitted from said statement constituting of themselves a substantial sum were, in fact, gross earnings." On the other hand, the railroads contended, and the State in turn acquiesced in the contention, that, in withholding

such earnings from their statements of gross receipts, the officers of the railroads had "acted and relied upon advice of counsel learned in the law, to the effect that the items so omitted did not constitute gross earnings under the statute: which advice they believed."

The penalty cases, which were decided in favor of the railroads, turned upon the stipulation last mentioned. The court held that, as the State had never furnished any clear definition of "gross receipts," and as experience demonstrates that it is a difficult matter to decide what should be covered by that term, the railroads ought not to be penalized for omitting, in good faith and on the advice of counsel, doubtful items. In arriving at this decision, however, the court encountered one great difficulty. Penalties for failure to pay ordinary taxes are, according to the best law, very rigorously enforced, no attention being paid to the reason for non-payment, whether the fault be excusable or inexcusable. This the court recognized fully. The difficulty was avoided by construing the license tax as a contractual obligation rather than a tax in the narrow sense, punitive provisions of contracts being much more liberally construed than similar provisions of tax laws. "The taxing law, so called, under consideration . . . involved, in legal effect, an exchange between the State and the railroad company of equivalents. The former accords the latter the privilege to operate its roads: the latter, in consideration thereof, renders to the former a proportion of its earnings" (p. 608). Later the court went into an analysis of the gross receipts license fee, deciding that, while in one sense a tax, it is in another sense a mere *quid pro quo*,—"an exaction referable to the taxing power, with the contractual element, however, specializing it."

While penalties are, therefore, not to be collected, it is probable the State will eventually secure the back taxes due on the amounts wrongfully withheld from the statements of gross earnings. The decision practically intimates that it is the duty of the State to bring action for the recovery of such taxes.

II. The ad valorem tax on railroads, which has been in force since 1903, provides that railroads shall be assessed at full value by the State tax commission, and that on this assessed valuation they shall be taxed at the average rate of taxation paid by other property in the State. This average rate of taxation is arrived at by dividing the total property tax collected in the State by the true (as distinguished from the assessed) value of all property subject to the property tax. The railroad taxes, it may be said further, are retained by the State, and no portion is distributed back to the municipal or county governments.

With this brief description of the nature of the tax, we may proceed to summarize briefly the more important points decided in this second group of "ad valorem cases."

(1) One of the strongest arguments, if not the strongest argument, made by the railroad attorneys, rested upon the fact, which they proved by the evidence of many assessors, that in the valuation of ordinary business concerns, including commercial and manufacturing corporations, no separate account was taken of good will, value of business organization, and the like, while these elements were given full weight in the assessment of railroads. The railroads contended, in short, that, if all the intangible elements of ordinary business concerns had been assessed as completely as they were assessed in the case of railroads, the value of the general property of the State would have been very much greater than the amount fixed by the tax commission, and that the rate of taxation upon the railroads would have been correspondingly lower.

In rejecting this argument, the Supreme Court set up a rather remarkable doctrine of value and valuation. In brief, the court denied that it is possible, either in the case of private businesses, ordinary corporations, or quasi-public corporations, to assess the physical value of the property separately from the intangible value given by the good will, favorable prospects, or actual franchises.

The statute does not contemplate that franchises of any sort of corporations, private or public, or good will or prospects of any busi-

ness or any such matters, shall be considered by the assessor and valued as separate elements or that any definite sum shall be added to the value of the physical things on account thereof. It only contemplates the valuation of such physical things under the circumstances of each particular case. The value of the physical elements of corporations, or business property, is made up largely of those which are invisible. . . . In valuing such property, looking only at the visible elements, one would unconsciously include the invisible. No one would think, in valuing a factory of any sort with an established business, of its value as a disorganized piece of property. . . . To our minds, when the witnesses [the assessors] on the trial of this case stated they valued the property of business corporations or companies, observing only the things visible, fixing the value upon those things as they found them, whether they specially thought of the other elements and considered the same or not, they were in effect included (p. 572). . . . One might as well try to value the life blood of a horse or his capacity to breathe as to try to place a value upon the visible part of a railroad property separate from its rights, franchises, and privileges (p. 573).

(2) Ad valorem taxation of railroads at the average rate of taxation paid by other property raises a nice question concerning the exact content of the group of things which are glibly designated by the phrase "general property of the State." When dividing the total property taxes by the true value of general property in order to ascertain the average rate of taxation, should property which has wholly escaped taxation be included or not? In other words, should railroads be taxed at the average rate paid by other property which is "caught," or at the average rate paid by those tax-payers who are "caught," or at the average rate which would obtain if all taxable property and all tax-payers were properly assessed and taxed?

The railroads contended that the tax commission had not made sufficient allowance for such omissions, altho both the law and the arguments were obscure concerning the precise duty of the commission in this respect. As a matter of fact, the commission had made allowance for omitted and undervalued property, and the Supreme Court found that no evidence adduced by the railroad attorneys destroyed the presumption in favor of the commission's computations as they had actually been made. On the contrary,

the court suggested that possibly the tax commission had exceeded its authority in making allowances for property omitted by local assessors.

The board [tax commission] in endeavoring, as before indicated, to remedy the supposed mistakes of the local assessors as to omitting to assess property at all, perhaps assumed authority not clearly accorded to it. However, there is no proof that such omissions, if there were any, occurred otherwise than as the result of mere ignorance or error of judgment in a good faith attempt to administer valid laws. Such circumstances afford no good ground for complaint on the part of a tax-payer to avoid his tax (p. 575).

(3) In Wisconsin, at the present time, mortgages on real estate are taxed according to the Massachusetts method; *i.e.*, a mortgage is declared to be, for purposes of taxation, an interest in the realty by which it is secured, and the mortgagor and mortgagee are permitted to arrange between themselves who shall pay the tax. If no such arrangement is made, the tax must be paid by the mortgagee. The railroads rested one of their principal arguments upon the fact that in this connection they were not accorded the same privileges as other mortgagors, and that "no diminution of the value of railroad property could be or was made . . . because of encumbrances thereon of a mortgage nature." The court overruled this plea on the general ground that differentiation between railroads and other mortgagors is reasonable classification, and hence not repugnant to the equality provisions of the Wisconsin and federal Constitutions. According to sound economics, and, in particular, according to the views of the Wisconsin courts concerning the nature of railroad property (which is treated as predominantly personal), railroad bonds are mortgages rather upon personalty than upon realty; and mortgages secured by personal property in Wisconsin are not taxed as an interest in the personalty. Moreover, there are other fundamental differences between railroad bonds and real estate mortgages.

Railroad mortgages, so-called, are, as a rule, trust deeds, securing millions of dollars in bonds distributed through a wide extent of

country, and, in many cases, among people in many countries, the owners in the aggregate numbering up into the thousands. It is easily seen that to apply such a law as the one in question to such a situation, requiring each bondholder to be regarded as the owner of so much value in railroad property as his bonds called for, and to tax him accordingly, would be more than impracticable, it would be impossible as regards producing any real beneficial effects (p. 583).

(4) From what has been said above, it is apparent that the rate of taxation upon railroads is affected by the property taxes collected in every taxing district of the State, altho there are many towns and villages which the railroads do not reach. The railroads attacked the law vigorously at this point, maintaining that it gives "special property a general situs," and makes their burden of taxation dependent upon the expenditures of jurisdictions in which they possess no property and from which they receive no benefits. In rejecting this argument, the court acknowledged that it was not within the power of the legislature to give a capricious or arbitrary situs to property for purposes of taxation, but held that the commanding position of railroad corporations,

the universality and closeness of their touch with the every-day life of the people, the mutual relations of dependence for well-being both as to persons and property, reaching the State at large, the needs of such corporations as to support and protection, the significant degree in which the administrative energy of all departments of the State is devoted to affairs concerning their regulation and well-being, and their public privileges springing from the whole people, warrant the exercise of legislative power, giving to their property for the purposes of taxation a general situs, and applying thereto the average rate of taxation throughout the State. . . . (p. 559).

Moreover, the court held that the local districts are not in a practical sense deprived of revenue to which they are justly entitled. The tax on railroad property retained by the State government enables the latter to dispense almost entirely with the levy of ordinary property taxes, and by a theory of "constructive accounting" the tax on railroad property may be regarded as equivalent to property taxes which the State would be compelled to collect from the

local governments if the latter were permitted to tax railroad property. This theory of "constructive accounting," like the court's doctrine of the impossibility of disassociating tangible from intangible values, will bear a good deal of study.

III. The case of Nunnemacher *v.* State brought once more before the courts the constitutionality of progressive inheritance taxation in Wisconsin. An earlier inheritance tax had been declared unconstitutional by the Supreme Court because the rates were graduated in accordance with the value of the entire estate, and not in accordance with the value of the separate shares.[1] In 1903, however, the legislature passed another law (ch. 44, p. 65, Laws of 1903) in which the rates were graduated according to the relationship of the beneficiary of the decedent and the size of the particular legacy or inheritance.[2] The law was sustained by the court, altho it is highly progressive, the rate reaching practically 15 per cent. upon shares in excess of $500,000 passing to very distant relatives or strangers.

Progressive inheritance taxes have now been sustained in so many States, and the grounds upon which such approval rests are so generally understood, that the Wisconsin case deserves no special notice except for its vigorous repudiation of the principal theory upon which the decisions in most other States have been based. To put the matter briefly, the tax was attacked upon the ground that "the right to take property by inheritance or by will is a natural right protected by the constitution, which cannot be wholly taken away or substantially impaired by the legislature." The validity of this general argument was emphatically affirmed by the court. None the less, the law was sustained upon the ground that the particular inheritance tax in question does not annul or substantially impair the constitutional right to take property by will or inheritance.

The doctrine laid down by the Wisconsin court has a familiar tone. Our government is the "product of a social

[1] Black *v.* State, 113 Wis. 205.

[2] See the account of this act in the article by Dr. S. Huebner in this *Journal*, vol. xviii. pp. 540–541 (August, 1904).

compact," adopted to preserve and maintain inherent rights existing prior to and independent of all government. And among these fundamental rights must be numbered the right to dispose of property by will.

> The biblical writings show the exercise of the right from the times of Abraham, and Mr. Schouler in his book on Wills (2nd Ed.), § 13, says that history "confirms the opinion that the practice of allowing the owner of property to direct its destination after his death, at least of imposing general rules of inheritance, is coeval with civilization itself, and so close, in fact, upon the origin of property and property rights as not to be essentially separated in point of antiquity."... So clear does it seem to us from the historical point of view that the right to take property by inheritance or will has existed in some form from the time when the memory of man runneth not to the contrary, and so conclusive seems the argument that these rights are a part of the inherent rights which governments, under our conception, are established to conserve, that we feel entirely justified in rejecting the dictum so frequently asserted by such a vast array of courts, that these rights are purely statutory and may be wholly taken away by the legislature. It is true that these rights are subject to reasonable regulation by the legislature, lines of descent may be prescribed, the persons who may take as heirs or devisees may be limited, collateral relations may, doubtless, be included or cut off, the manner of execution of wills may be prescribed, and there may be much room for legislative action in determining how much property shall be exempted entirely from the power to will so that dependents may not be entirely cut off. These are all matters within the field of regulation. The fact that these powers exist and have been universally exercised affords no ground for claiming that the legislature may abolish both inheritance and wills, turn every fee-simple title into an estate for life, and thus, in effect, confiscate the property of the people once every generation (pp. 629, 630).

The tax, in short, was justified because the legislature has a right *reasonably* to regulate and tax transfers of property, and not because, as the Supreme Court of the United States has said, "the right to take property by devise or descent is the creature of [positive] law." "We are fully aware," says the Wisconsin court, "that the contrary proposition has been stated by the great majority of courts of this country, including the Supreme Court of the United States. The unanimity with which it is stated is

perhaps only equalled by the paucity of reasoning with which it is supported" (p. 628).

In Wisconsin, hereafter, inheritance taxes must be reasonable as judged by the economic and political philosophy of the courts. This decision takes from the legislature another power, whose exercise, it has hitherto been thought, was committed to its discretion and wisdom, and places it among the powers which must be exercised hereafter in final conformity with the discretion and wisdom of the judiciary. The decision may shock the economist. But it is hard to resist the reasoning of the Wisconsin court. It may be unfortunate that ours is a government of restricted powers, and that the final decision as to the extent of those powers rests with the judiciary rather than the legislature. But, admitting the legal necessity for a group of constitutional rights to life, liberty, and property, it seems impossible logically to exclude from that group the right to will property in a reasonable way, with its complementary right of receiving property by will or bequest.

T. S. Adams.

University of Wisconsin.

RECENT PUBLICATIONS UPON ECONOMICS.

Chiefly published or announced since February, 1907.

An asterisk prefixed to a title indicates a second and more detailed notice of a book announced in a previous number.

I. GENERAL WORKS. THEORY AND ITS HISTORY.

BLACKMAR (Frank W.). Economics. New York: Macmillan. 1907. pp. 539. $1.40.

[A new edition, apparently with trifling changes.]

CUHEL (F.). Zur Lehre von den Bedürfnissen. Theoretische Untersuchungen über das Grenzgebiet der Oekonomik und der Psychologie. Innsbruck: Wagner. 1907. pp. 344. 10 m.

[An elaborate inquiry, on the lines of the Austrian school. The author divides wants into three main classes — Wohlfarts-, Verwendungs-, Verfügungsbedürfnisse—and five minor classes. Of these Verwendungsbedürfnisse are the most important. Present and future wants are considered at the close.]

DENIS (Hector). Histoire des systèmes économiques et socialistes. Vol. II. Les fondateurs. Paris: V. Giard et E. Brière. 1907. pp. 576. 10 fr.

[The second volume of this useful work deals with Condorcet, Godwin, Malthus, Ricardo, Sismondi, Owen, and Thompson.]

FAWCETT (H.). Manual of Political Economy. London: Macmillan. 1907. 8vo. pp. 690. 12s.

[8th edition.]

GUYOT (V.). La science économique. 3me édition entièrement refondue. Paris: Schleicher Frères. 1907. 16mo.

HAINISCH (M.). Die Entstehung des Kapitalzinses. Vienna: F. Deuticke. 1907. pp. 112. 2.50 m.

MACCUNN (J.). Six Radical Thinkers: Bentham, J. S. Mill, Cobden, Carlyle, Mazzini, T. H. Green. London: E. Arnold. 1907. 8vo. pp. 274. 6s. net.

MAGNAGHI (A.). Le *Relazioni universali* di Giovanni Botero e le origini della statistica e dell' antropogeografia. Turin: C. Clausen. 1906. 8vo. pp. 379. 7.50 l.

NARDI-GRECO (C.). Sociologia giuridica, con prefazione del prof. A. Asturaro. Turin: Fratelli Bocca. 1907. 8vo. pp. 518. 12 l.

OTTOLENGHI (C.). I profitti industriali nella costituzione economica odierna. Turin. 1907. 8vo. pp. 310. 8 l.

OVERBERGH (C. van). La classe sociale. Brussels: O. Schepens. 1906. Large 8vo. pp. 236.

[A monograph on the nature of social classes which passes in review the theories of French and German writers and the Marxian theory, and submits the author's own theory, which is conservative,

not going to extremes with any of the writers studied toward insistence on class rigidity or Utopian levelling schemes.]

SCHELLE (M. G.). Le Docteur Quesnay, physiocrate. Paris: Alcan. 1907. 16mo. 5 fr.

[A diverting account of his life and writings.]

SCHMOLLER (G.). Principes d'économie politique. Tome IV. Traduit par L. Polack. Paris: Giard et Brière. 1907. 8vo. 10 fr.

SIMIAND (F.). Le salaire des ouvriers des mines de charbon en France. Contribution à la théorie économique du salaire. Paris: Cornely. 1907. 8vo. pp. 520. 10 fr.

STIEDA (W.) Die Nationaloekonomie als Universitätswissenschaft. Leipzig: B. G. Teubner. 1907. pp. 419. 10 m.

[Published in the Abhandl. der königl. sächsischen Gesellschaft der Wissenschaften.]

TARDE (A. de). L'idée du juste prix. Étude de psychologie économique. Paris: Alcan. 1907. 8vo. 7 fr.

WAGNER (Ad.). Theoretische Sozialökonomik oder allgemeine und theoretische Volkswirtschaftslehre. Erste Abtheilung. Leipzig: C. F. Winter. pp. 520. 12 m.

[A formal publication of a new and much enlarged edition of the author's outline of lectures, hitherto printed privately. The subjects covered are: 1. Introduction; Schools and Literature. 2. Grundlegung. 3. Production, Exchange, Distribution. A second part, covering Transportation, Money and Banking, Insurance, is to follow shortly.]

WERNICKE (J.). Kapitalismus und Mittelstandspolitik. Jena: G. Fischer. 1907. pp. 1010. 20 m.

[Part I. is historical and descriptive, on the general course of economic history, modern capitalism, the condition and prospects of the middle class. Part II. considers current problems, such as co-operation, the great shops (Warenhäuser), unfair competition, "Befähigungsnachweis," industrial education, factory system. The drift is that education and encouragement of self-help are the chief supports of the small producer.]

In Periodicals.

COOLEY (C. H.). Social Consciousness. Am. Journ. Sociol., March.

COSSA (E.). L' inesistenza di plusvalore nel lavoro e la fonte del profitto. Giorn. degli Econ., Jan.

FETTER (F. A.). The Nature of Capital and Income. Journ. Polit. Econ., March. [A careful review of I. Fisher's book having this title, with survey of the development of Fisher's doctrines, and enforcement of those of the reviewer.]

LIFSCHITZ (F.). Zur Methode der Wirtschaftswissenschaft bei D. Ricardo. Jahrb. f. Nat. Oek., March.

MARSHALL (A.). The Social Possibilities of Economic Chivalry. Econ. Journ., March. [An important paper, rich in ideas, and touching not only on the motives influencing industrial leaders, but also on aspects of collectivism and government enterprise.]

PABST (F.). Ist die Grundrente in der Peripherie der Stadt eine "allgemeine Monopolrente"? Jahrb. f. Nat. Oek., Jan. [A controversy with Tolles. Answers the question in the negative].

PRINZING (F.). Bevölkerungstheoretische Probleme. Zeitschr. f. Socialw., Jan.

PRATO (G.). Giovanni Botero statistico ed economista. Riforma Soc., Feb.

SCHUMPETER (J.). Das Rentenprinzip in der Verteilungslehre. I. Jahrb. f. Gesetzg., 1907, Heft 1.

SMALL (A. W.). Points of Agreement among Sociologists. Amer. Journ. Sociol., March.

TIVARONI (J.). La distribuzione della ricchezza secondo le antiche e le recenti dottrine economiche. Riforma Soc., Jan.

WARD (L. F.). The Establishment of Sociology. Amer. Journ. Sociol., March.

WELLS (D. C.). Social Darwinism. Amer. Journ. Sociol., March.

II. THE LABOR PROBLEM.

Addams (Jane). Newer Ideals of Peace. New York: Macmillan Co. 1907. pp. 243.

[A series of essays upon economic and municipal problems, tracing the development of "moral substitutes for war."]

Ancey (C.). Les accidents et les maladies du travail. Paris: Rousseau. 1907. 8vo. pp. 205. 4 fr.

Beaumont (W. M.). Injuries of the Eyes of the Employed and the Workmen's Compensation Act. London: H. K. Lewis. 1907. 8vo. pp. 168. 5s.

Bell (Lady). At the Works: A Study of a Manufacturing Town. London: E. Arnold. 1907. 8vo. pp. 288. 6s.

Bonnefoy (G.). Le repos hebdomadaire. Étude théorique et critique de la loi du 13 juillet 1906. Paris: Marchal et Billard. 1907. 8vo. 5 fr.

Booth (Charles). Old Age Pensions and the Aged Poor. London: Macmillan. 1907. 8vo. 2s. net.

[Reissue.]

Collin (P.). Aperçus sur le vagabondage. Effets, causes, remèdes. Paris: Rivière. 1907. 12mo. 1.50 fr.

***Fromont** (L. G.). Une expérience industrielle de réduction de la journée de travail. Liège: Vaillant-Carmanne. 1906. pp. 106. 2.50 fr.

[A detailed and striking account of an experiment in a single chemical factory in Belgium, hours being reduced from 10 to 8 and less, without loss in output and with gain in every other respect.]

Germany (Official). Der Tarifvertrag im Deutschen Reich. Bearbeitet im kais. statist. Amt. Berlin: C. Heymann. 1907. 3 vols. 8 m.

[An elaborate and valuable official report on trade agreements. Vol. I. is introductory and historical with accounts of experience in other countries; II. analyzes systematically German agreements; III. gives the text verbatim of 130 such agreements.]

Göchting (E.). Das landwirtschaftliche Genossenschaftswesen in der Provinz Sachsen. Halle: Tausch & Grosse. 1906. pp. 341. 10 m.

[A Tübingen Ph.D. thesis, giving a detailed and trustworthy account of this part of the co-operative movement.]

Halbach (H.). Die Einwirkung der Arbeiterversicherung auf die Knappschaftsvereine. Leipzig: C. L. Hirschfeld. 1906. pp. 238. 6.60 m.

[In Abhand. aus dem staatsw. Seminar zu Münster, ed. by Heckel. Considers chiefly the mutual aid societies of the Ruhr district.]

Hapgood (H.). The Spirit of Labor. New York: Duffield & Co. 1907. pp. 410. $1.50.

[An interesting study of the life and character of a "typical" trade unionist.]

Hutchins (B. L.) and **Harrison** (A.). History of Factory Legislation. London: P. S. King. 1907. 8vo. pp. 390. 3s. 6d. net.

[New edition.]

Imle (Fanny). Die Tarifverträge zwischen Arbeitgebern und Arbeitnehmern in Deutschland. Jena: G. Fischer. 1907. pp. 165. 2 m.

———. Kritisches und Positives zur Frage der Arbeitslosenfürsorge. Jena: G. Fischer. 1907. pp. 71. 1.20 m.

Noel (M.). La limitation des heures de travail. Paris: Giard et Brière. 1907. 8vo. 6 fr.

[History of legislation in France, and discussion of principles.]

Pashitnow (K. A.). Die Lage der arbeitenden Klasse in Russland. Eine historische Darstellung von 1861 bis zur Gegenwart. Stuttgart: Dietz. 1907. pp. 308. 2.50.

[Translated from the Russian, and issued by the well-known publishers of socialist literature.]

Poidvin (M.). Guide pratique en matière d'accidents du travail, à l'usage des patrons, employés et

ouvriers. Paris: Rivière. 1907. 12mo. pp. 216. 2 fr.

PRANARD (Ch.). Étude sur les building associations américaines. Paris: Rousseau. 1907. 8vo. pp. 236. 5 fr.

RAUSCHENBUSCH (Walter). Christianity and the Social Crisis. New York: Macmillan. 1907. pp. 429. $1.75.

[The author was long a pastor among working people in New York.]

ROGUENANT (A.). Patrons et ouvriers. Paris: Victor Lecoffre. 1907. pp. 181.

[Insists upon the mutual moral obligations of employer and laborer. Crowned by Academy of Moral and Political Sciences.]

SAMIE (P.). Les ouvriers étrangers en France et le risque professionnel. Poitiers: Soc. franc. d'imprim. 1906. pp. 223.

SCHLOSS (David F.). Methods of Remuneration. London: Williams & N. 1907. 8vo. pp. 466. 3s. 6d.

[3d edition, revised and enlarged. Popular reissue.]

SCHÜTZ (J. H.). Praktische Sozialpolitiker aus allen Ständen vom Throne bis zur Werkstätte. Cologne: P. Neubner. 4to. pp. 538. 30 m.

SMITH (Goldwin). Labour and Capital. New York: Macmillan Co. 1907. pp. 38. 50 cents.

[Reprint of a thoughtful letter to a "labor friend."]

SPENCER (M. G.) and FALK (H. J.). Employment Pictures from the Census. London: P. S. King. 1907. 8vo. 2s. 6d. net.

TARDIEU (M. J.). Traité théorique et pratique de la législation des pensions de retraite. Avec la collaboration de MM. Basset, Smet, et Carrière. Paris: Libr. administrative Paul Dupont. 4to. pp. 380. 20 fr.

VANDERVELDE (L.). La Belgique ouvrière. Paris: Cornely. 1907. 16mo. pp. 192. 1 fr.

YUSUF-ALI (A.). Life and Labour of the People of India. London: Murray. 1907. 8vo. pp. 376. 12s. net.

In Periodicals.

ADDAMS (J.), ADLER (F.), LINDSAY (S. McC.), and others. Child Labor. Ann. Amer. Acad., Jan. [A series of nineteen contributions on various aspects of the question of child labor; the social attitude toward the problem; physical effects of child labor; legislation and its enforcement; the situation in specific industries. The Supplement contains an abstract of existing legislation.]

BACON (M. A.). The Problem of the Southern Cotton Mill. Atl. Monthly, Feb. [A sketch of social conditions and of types of the cotton operatives in the factories of the South.]

BEVERIDGE (W. H.). Labour Exchanges and the Unemployed. Econ. Journ., March. [On the workings of the Labour Bureau established in London under the legislation of 1905; with a prolonged argument in favor of a very wide use of this method of combating the evil of unemployment.]

CLARK (L. D.). Laws of Foreign Countries relating to Employees on Railroads. Bull. U.S. Dept. Labor, Jan. [A digest of foreign legislation concerning railroad employees, arranged by topics and by countries.]

CONNER (J. E.). Free Public Employment Offices in the United States. Bull. U.S. Dept. Labor, Jan. [An article of 115 pages reviewing the functions performed by the different public employment offices in the United States, presenting some statistical data and suggesting possible reforms.]

CUMMINGS (John). The Trade Union Programme of "Enlightened Selfishness." Journ. Polit. Econ., March. [Some plain speaking on trade union selfishness: their program is one "of action rather than of inspiration."]

DELCOURT (R.). Das neue französische Gesetz über den Ruhetag der Arbeiter. Ann. des Deutsch. Reichs, 1907, 2.

GOOD (T.). Some Aspects of the Labour Problem. Westminster Rev., March. [Of slight value.]

Grünspecht (D.). Die Entlastung der öffentlichen Armenpflege durch die Arbeiterversicherung. Jahrb. f. Nat. Oek., Jan., March.

Hahn (G.). Ernst Abbe als Sozialpolitiker. Zeitschr. f. d. ges. Staatsw., 1907, Heft 1.

Henderson (C. R.). Industrial Insurance. I. The Extent and Nature of the Demand for a Social Policy of Workingmen's Insurance. II. Local Relief Societies. Amer. Journ. Sociol., Jan., March.

Herron (B. M.). Factory Inspection in the United States. Amer. Journ. Sociol., Jan.

Heissner (W.). Die Gewinnbeteiligung der Arbeiter in Deutschland. Ann. des Deutsch. Reichs, 1907, 1 and 2.

Lair (M.). Les ouvriers étrangers dans l'agriculture française. Rev. Écon. Intern., March.

Lux (K.). Arbeiterbewegung und Arbeiterpolitik in Australasien von 1890–1905. Archiv f. Sozialw., 1907, Heft 1 and 2.

Mallock, W. H. The Intellectual Condition of the Labour Party. Monthly Rev., Jan., 1907. [Concluding article.]

Oertmann (P.). Zur Lehre vom Tarifvertrag. Zeitschr. f. Socialw., Jan.

Orth (S. P.). The Alien Contract Labor Law. Polit. Sci. Quart., March. [On the liberal judicial constructions of this statute, which illustrate the American spirit of equality toward the immigrant.]

Regis (A.). Un' inchiesta sul riposo festivo. Riforma Soc., March.

Schiavi (A.). La previdenza all' esposizione di Milano. Riforma Soc., Jan., Feb.

Schmoller (G.). Ernst Abbes Sozialpolitische Schriften. Ein Beitrag zur Lehre vom Wesen und Gewinn der modernen Grossunternehmung und von der Stellung der Arbeiter in ihr. Jahrb. f. Gesetzg., 1907, Heft 1. [Calls attention to the importance of Abbe's contribution to the solution of the labor problem, especially in his organization of the Carl Zeiss Stiftung.]

Smith (J.). Crucial Issues in Labor Litigation. Harv. Law Rev., XX., 4, 5, and 6. [An important series of articles upon fundamental points of labor law.]

Thompson (C. W.). Labor in the Packing Industry. Journ. Polit. Econ., Feb. [A description of the labor conditions in Chicago, followed by a sketch of the Butchers' Union in the country at large.]

Zahn (F.). L'assurance ouvrière allemande a-t-elle répondu à son attente? Rev. Écon. Intern., Jan. [Enthusiastically favorable.]

Zwiedineck-Südenhorst (O. von). Zur Reform der Volksversicherung. Zeitschr. f. d. ges. Staatsw., 1907, Heft 1.

III. SOCIALISM.

Berens (L. H.). The Digger Movement in the Days of the Commonwealth. As revealed in the writings of Gerrard Winstanley, Digger, Mystic, Social Reformer. London: Simpkin, Marshall. 1906. pp. 259. 7*s.* 6*d.*

[A detailed account of an early and forgotten Utopia, of 1649, to which E. Bernstein has already called attention in 1895.]

Cosentini (F.). La philosophie socialiste et sa revision critique. (A propos des publications italiennes récentes.) Paris: Giard et Brière. 1907. 8vo. 1.50 fr.

Davies (R. E.). The Life of Robert Owen, Philanthropist and Social Reformer. London: R. Sutton. 1907. Royal 16mo. pp. 64. 1*s.* 6*d.*

Dazet (G.). Lois collectivistes pour l'an 19 . . . Paris: Cornely. 1907. 16mo. pp. 320. 3.50 fr.

Ensor (R. C. K.). Modern Socialism, as set forth by Socialists in their Speeches, Writings, and Programmes. London: Harper. 1907. 8vo. pp. 444. 5*s.* net.

[2d edition, revised and enlarged.]

Faguet (E.). Le socialisme en

1907. Paris: Soc. franc. d'imprim. 1907. 18mo. 3.50 fr.

FOURNIÈRE (E.). L'individu, l'association et l'état. Paris: Alcan. 1907. 8vo. 6 fr.

[Bibliothèque générale des sciences sociales.]

GORKY (M.). The Individualists. Maclaren: London. 1907. 8vo. 6*d.*

HARDIE (J. K.). From Serfdom to Socialism. London: G. Allen. 1907. 12mo. pp. 142. 1*s.* net.

KURMATOWSKI (G.). Esquisse d'évolution solidariste. Paris: Rivière. 1907. 8vo. 2 fr.

OLIVIER (Sydney). White Capital and Coloured Labor. London: Independent Labour Party. 1906. 8vo. pp. 182. 1*s.* 6*d.* net.

[Socialist Library.]

RENARD (G.). La République de 1848. Préface de A. Millerand. Paris: Rouff. 1907. 8vo. 5 fr.

[The latest volume of the Histoire Socialiste edited by Jean Jaurès.]

SCHWECHLER (K.). Die oesterreichische Sozialdemokratie. Ihre Entwickelung, ihr Programm, ihre Tätigkeit. Graz: "Styria." 1907. pp. 214. 1.80 m.

SNOWDEN (P.). The Socialist's Budget. London: G. Allen. 1907. 12mo. pp. 96. 1*s.* net.

WRIXON (Sir Henry). The Pattern Nation. New York: Macmillan. 1907. pp. 172. $1.00.

[A thoughtful study of the future of socialistic agitation under the influence of democracy.]

ZACCO (G.). Cooperazione e socialismo in rapporto al problema economico siciliano. Modica. 1906. 8vo. pp. 128. 2.50 l.

In Periodicals.

BROOKS (J. G.). Recent Socialist Literature. Atl. Monthly, Feb. [An essay prompted by the reading of Edmond Kelly's "Practical Programme for Workingmen," James Mackaye's "Economy of Happiness," John Spargo's "Socialism," and Jean Jaurès's "Studies in Socialism."]

CALCHAS. Imperial Democracy and Socialist Revision. Fort. Rev., March. ["The profound moral weakness of German socialism . . . is that it is a party neither of revolution nor of reform."]

CANEL (F.). A Scrutiny of Socialism. Monthly Rev., March.

MICHELS (R.). Historisch-kritische Einführung in die Geschichte des Marxismus in Italien. Archiv f. Sozialw., 1907, Heft 1. [A valuable survey of the literature.]

WAGNER (Adolph). The Rights and Wrongs of Socialism. Fort. Rev., April, 1907.

IV. LAND AND AGRARIAN PROBLEMS.

COBURN (F. D.). Book of Alfalfa, History, Cultivation, etc. New edition. London: K. Paul. 1907. 8vo. 10*s.*

CREVAT (J.). Les conditions d'irrigation rationnelle. Paris: Beranger. 1907. 8vo. 2 fr.

CRONBACH (Else). Das landwirthschaftliche Betriebsproblem in der deutschen Nationaloekonomie bis zur Mitte des 19 Jahrhundert. Vienna: C. Konegen. 1907. pp. 338. 15 m.

[Heft II. of the Studien edited by K. Grünberg, of Vienna. A painstaking summary of the discussion by German writers, from the Cameralists thru Thaer to about 1850, of small and large holdings and of "Teilbarkeit."]

EBERSTADT (R.). Die Spekulation im neuzeitlichen Städtebau. Eine Untersuchung . . . zugleich Abwehr der gegen Wohnungsreform gerichteten Angriffe. Jena: G. Fischer. 1906. pp. 224. 4 m.

[Opposes the "Mietskaserne," and criticises severely the publications of A. Voight; see below, under that name.]

GRANDEAU (L.). L'agriculture et les institutions agricoles du monde au commencement du XX^{e} siècle. 4 vols. Paris: Rivière. 1907. 8vo. pp. 700. 50 fr.

GREEN (F. E.). How I work my

Small Farm. London: Fifield. 1907. 8vo. pp. 92. 2*s.* net.

HALL (Bolton). Three Acres and Liberty. New York: Macmillan. 1907. pp. 435. $1.75.
[Urges movement "back to the land." Interesting and of practical value.]

HERMES (A.). Der Teilbau in Frankreich. Jena: G. Fischer. 1907. pp. 271. 7 m.
[In Abhandl. des Staatsw. Seminars zu Jena.]

JEBB (L.). How Landlords can create Small Holdings. Some Examples. London: Murray. 1907. 8vo. pp. 64. Sewed. 6*d.* net.

——. The Working of the Small Holdings Act, with Suggestions for its Amendment. London: Murray. 1907. 8vo. pp. 102. Sewed. 1*s.* net.

KEBBEL (T. E.). The Agricultural Labourer. Summary of his Position. London: Sonnenschein. 1907. 8vo. pp. 184. 2*s.* 6*d.* net.
[4th edition, abridged, with new Preface (Social Science Series).]

McCONNELL (Primrose). Diary of a Working Farmer. True History of a Year's Farming in Essex. London: Cable Printing Co. 1907. 8vo. pp. 304. 6*s.* net.

MÄLZER (O.). Die Landwirthschaft im Herzogtum Sachsen-Altenburg. Karlsruhe: G. Braun. 1907. pp. 134. 3 m.
[In Volksw. Abhandl. der badischen Hochschulen.]

ROCQUIGNY (Comte de). Les syndicats agricoles et leur œuvre. 2me édition augmenté d'une préface exposant le mouvement de 1900 à 1906. Paris: Colin. 1907. 18mo. pp. 450. 4 fr.

SABATIER (C.). Le morcellisme. Avec une introduction par M. Faure. Paris: Giard et Brière. 1907. 2 fr.
[Collection des doctrines politiques.]

WEIS (W.). Die Gemarkungs-, Boden-, Bau- und Wohnungspolitik der Stadt Mannheim seit 1892. Karlsruhe: G. Braun. 1907. pp. 86. 2 m.
[In Volksw. Abhandl. der badischen Hochschulen.]

YERMOLOFF (A.). La Russie agricole devant la crise agraire. Paris: Hachette. 1907. 8vo. 5 fr.

In Periodicals.

BUNZEL (J.). Die Landarbeiterfrage. I. Schriften über die Landarbeiterfrage in Ungarn. Archiv f. Sozialw., 1897. Heft 2.

CABIATI (A.). Conti culturali e dazio sul grano. Riforma Soc., March.

DALE (J. A.). Bonneville. Econ. Rev., Jan. [Description of an artisan village in which the land is administered by a Village Trust.]

FERGUSON (R. Munro). The Small Holdings Committee's Report. Indep. Rev., Feb. [Criticism of.]

FORDHAM (Ernest O.). The Small Holdings Committee's Report. Indep. Rev., Feb. [Criticism of.]

KELLY (J. Michael). The Irish Land Problem and How it might be Effectually Solved. Westminster Rev., Feb.

MORGAN (Sampson). Small Fruit Farms for England. Fort. Rev., Feb. [Urges the creation of such farms as the panacea for agricultural distress.]

NITTI (F.). Il ministero di agricoltura. Riforma Soc., March. [A speech in the chamber of deputies.]

TENERELLI (F. G.). Il demanio forestale dei comuni e la loro attività economico. Riforma Soc., March.

VOIGHT (A.). Zum Streit um Kleinhaus und Mietskaserne. Kritische Blätter, Feb. [A very contentious review of Eberstadt's book (noted above) and defence of Voight's position as stated in his Kleinhaus und Mietskaserne (1905) and elsewhere.]

V. POPULATION AND MIGRATION.

MOMBERT (Dr. Paul). Studien zur Bevölkerungsbewegung in Deutschland. Karlsruhe: G. Braun. 1907. pp. 280. 8 m.
[Comprehensive investigation of mortality, marriage, and birth statistics, with a study of the movement of population.]

REW (R. H.). Decline in the Agricultural Population of Great Britain, 1881-1906. London: Wyman. 1907. 8*d.*
[Map.]

In Periodicals.

BALCH (E. G.). Our Slavic Fellow-citizens. Charities, April. [The first chapter of a sketch of the history of Slavic immigration.]

CABIATI (A.). L' emigrazione interna e gli uffici governativi di collocamento. Riforma Soc., Feb.

CRACKANTHORPE (Montague). Population and Progress. Fort. Rev., Feb. [Continued from December number.]

MONTEMARTINI (G.). Il fenomeno migratorio e l' intervento dello stato. Giorn. degli Econ., Jan.

ROSS (E. A.). Western Civilization and the Birth-rate. Amer. Journ. Sociol., March.

SPENDER (J. A.). Population and Agriculture. Fort. Rev., Jan. [Discusses the causes of the decline of the agricultural population.]

VI. TRANSPORTATION.

BODINGTON (Oliver E.). The Channel Ferry. London: Rees. 1907. 8vo. 6*d.* net.
[A paper read before the British Chamber of Commerce in Paris on Oct. 27, 1906.]

LAMBERT (H.). Le réseau de l'est. Précis historique, statistique, et financier. Paris: Dunod et Pinat. 1907. 8vo. pp. 196. 3 fr.

MOSSÉ (A.). Les transports en commun à Paris. Paris: Rivière. 1907. 8vo. 8 fr.

MUNDY (Floyd W.). The Earning Power of Railroads. 1906. New York: Metropolitan Advertising Co. 1906. $2.

PRATT (E. A.). German *versus* British Railways, with Special Reference to Owners' Risk and Traders' Claims. London: P. S. King. 1907. 8vo. pp. 72. 1s. net.

RIPLEY (William Z., editor). Railway Problems. Boston: Ginn & Co. 1907. pp. 686. $2.25.
[The latest addition to the series of Selections and Documents in Economics.]

SCHNEIDER (A.). Frachtsatz und Transportmenge unter Zugrundelegung des Mannheimer Getreidehandels mit der Schweiz. Karlsruhe: G. Braun. 1907. pp. 52. 1.20 m.
[In Volksw. Abhandl. der badischen Hochschulen.]

WITTENBERG (M.). Die deutsche Reederei in ihrer wirtsch. Gestaltung. Berlin: F. Dümmler. 10 m. [Announced.]

In Periodicals.

BRADFORD (E. S.). Prussian Railway Administration. Ann. Amer. Acad., March.

BURLET (C. de). Les chemins de fer vicinaux en Belgique. Rev. Écon. Intern., Feb. [A favorable description of the subsidized local railways in Belgium.]

CAVANAGH (J. R.). The Pooling of Freight Cars. Ann. Amer. Acad., March. [A method for dealing with the problem, proposed by the Superintendent of Car Service of the C., C., C. & St. L. R.R.]

COUNTY (A. J.). The Economic Necessity for the Pennsylvania Tunnel Extension into New York City. Ann. Amer. Acad., March. [Explains, from the standpoint of an official of the railroad, the

reasons for undertaking the tunnel extension.]

CONWAY (T., Jr.). The Electrification of American Railroads. Ann. Amer. Acad., March.

HUEBNER (S. G.). Prussian Railway Rate-making and its Results. Ann. Amer. Acad., March.

JOHNSON (E. R.). Public Regulation of Street Railway Transportation. Ann. Amer. Acad., March. [Reviews methods of regulation here and abroad, discusses the relative advantages of municipal and private ownership, and has appended a selected bibliography.]

NOUVION (G. de). Le rachat des chemins de fer. Journ. des Écon., March. [Criticises government management as unremunerative and fostering protection.]

SMALLEY (H. S.). Rate Control under the Amended Interstate Commerce Act. Ann. Amer. Acad., March.

VIALLATE (A.). How France protects her Merchant Marine. No. Amer. Rev., Jan. [An historical survey of the measures adopted by France, especially in the last half-century, to stimulate her shipping engaged in foreign commerce.]

VII. FOREIGN TRADE AND COLONIZATION.

CUNNINGHAM (W.). The Wisdom of the Wise: Three Lectures on Free Trade Imperialism. New York: G. P. Putnam's Sons. pp. 125.

[Replies, from the "tariff reformer's" point of view, to speeches by R. B. Haldane, S. Strachey, and Lord Rosebery.]

GERBINO (G. de Francisci). Commercio internazionale e politica commerciale. Palermo: A. Reber. 1907. pp. 487.

[The opening chapters are on the theory of international trade; the bulk of the book on protection and free trade, duties on grain, the history, forms, and causes of protection. The attitude is anti-protectionist; the treatment scholarly and clear, but not novel.]

HOBSON (J. A.). The Fruits of American Protection. New York: Reform Club. London: Cassell & Co. 1906–07. pp. 56. 3*d.*

[A pamphlet published in 1906 by the New York Reform Club, and reprinted in 1907 by the Cobden Club; on the rise in prices due to protection, "dumping," and trusts.]

JONES (L. A. Atherly). Commerce in War. London: Methuen. 1907. Royal 8vo. pp. 676. 21*s.* net.

KOBATSCH (R.). Internationale Wirtschaftspolitik. Versuch ihrer wissensch. Erklärung auf entwickelungsgeschichtlicher Grundlage. Vienna: Manz. 1907. pp. 501. 12 m.

LETHBRIDGE (Sir Ropes). India and Imperial Preference, with Statistical Tables. London: Longmans. 1907. 8vo. pp. 120. 2*s.* 6*d.* net.

MURRAY (Alice Effie). History of the Commercial and Financial Relations between England and Ireland from the Period of the Restoration. London: P. S. King. 1907. 8vo. pp. 504. 3*s.* 6*d.* net. [New edition.]

PIERCE (Franklin). The Tariff and the Trusts. New York: Macmillan Co. 1907. pp. 387. $1.50.

[A vigorous attack upon trusts and the injustices of the present tariff. Author is a member of the New York bar.]

In Periodicals.

JULIN (A.). De quoi se compose le commerce extérieur de la Belgique. Rev. Écon. Intern., March. [Careful analysis of Belgian foreign trade.]

MELINE (J.). Traités de commerce et conventions commerciales. Rev. Écon. Intern., Jan. [A summary review of the changes in the world's commercial policy during the last two centuries.]

MICHEL (B.) et ARMINJON (P.). Le commerce extérieur de l'Égypte. Rev. d'Écon. Pol., Jan., Feb. [Traces the elimination of Egypt's trade in transit, and the growth of her direct trade.]

OSBORNE (J. B.). The American Consul and American Trade. Atl. Monthly, Feb. [A discussion of the United States consular service and its reports, with reference to the reforms of 1906.]

ROWE (L. S.). Our Trade Relations with South America. No. Amer. Rev., March.

TARBELL (Ida M.). The Tariff in our Times. American Magazine, Dec., Jan., March, April. [A series of papers on the tariff history of the United States since 1860; addressed to the general public, and giving some familiar matter, but also much not familiar. Freely illustrated.]

VIII. MONEY, BANKING AND EXCHANGE.

CHEVAUCHEZ (A.). Traité des chèques postaux. Paris: Rivière. 1907. 8vo. 2 fr.

ENGLAND (M. T.). Statistical Inquiry into the Influence of Credit upon Prices. Univ. of Nebraska. 1907. pp. 83.

[Reprinted from the University of Nebraska Studies.]

HASENKAMP (Adolf). Die Geldverfassung und das Notenbankwesen der Vereinigten Staaten. Jena, Germany: Gustav Fischer. 1907. pp. 213. 5 m.

[A comprehensive survey, chiefly descriptive in character. Considers at length the development of the last six years.]

HOLT (Byron W., editor). The Gold Supply and Prosperity. New York: The Moody Corporation. 1907. pp. 261. $1.

[An interesting and valuable collection of articles by various writers. Some of the articles are reprinted from Moody's Magazine; but much new matter is added.]

HULL (Walter Henry, editor). Practical Problems in Banking and Currency. New York: Macmillan. 1907. $3.50.

[Selected addresses by various authors.]

*LAWSON (W. R.). American Finance. Edinburgh: Blackwood. 1906. pp. 391. 6s.

[A vigorous criticism of American speculative methods.]

LESCURE (J.). Des crises générales et périodiques de surproduction. Paris: Larose et Tenin. 1907. 8vo. 10 fr.

POLEY (A. P., assisted by F. H. Carruthers Gould). The History, Law, and Practice of the Stock Exchange. Part I. London: I. Pitman. 1907. Royal 8vo. pp. 16. 2d.

SAYOUS (A. E.). Les banques de dépôt, les banques de crédit, et les sociétés financières. 2me édition. Paris: Larose et Tenin. 18mo. 5 fr.

SCHREIBER (G.). Guide de la Bourse de Berlin. Paris: Le Soudier. 1907. 8vo. pp. 512. 12 fr.

VIOLLET (E.). Le problème de l'argent et l'étalon d'or au Mexique. Paris: Giard et Brière. 1907. 8vo. 5 fr.

In Periodicals.

BOLLES (A. S.). The Quantitative Theory of Prices. Journ. Polit. Econ., Jan. [A brief general paper, not contributing anything new.]

CRAMMOND (Edgar). The Stock Exchanges and the Public. Contemp. Rev., March. [Principally a description of the London Stock Exchange.]

EHEBERG (K. T.). Japans Geld u. Bankwesen. Ann. des Deutsch. Reichs, 1907, 1. [Notes surprising increase in employment of credit.]

HOWARD (E.). Inflation and Prices. Polit. Sci. Quart., March. [A brief paper, leading to the conclusion that more money and higher prices have not benefited the "masses," but the speculators and the rich.]

KRÄMER (G.). Das Postbankwesen. Jahrb. f. Nat. Oek., Feb.

NEURATH (W.). Economic Crises and Some Aspects of Trusts. Econ. Rev., Jan. [A new panacea.]

PATTON (E. B.). Secretary Shaw and Precedents as to Treasury Control over the Money Market. Journ. Polit. Econ., Feb. [Chiefly on the precedents, which are sought in the period 1866–74; with a concluding protest against the Secretary's general proposals.]

RUESCH (H.). Der Berliner Getreidehandel unter dem deutschen Börsengesetz. Jahrb. f. Nat. Oek., Jan., Feb. [A careful review of the subject with a plea for a strong grain exchange.]

SCHUMACHER (H. A,). The Concentration of German Banking. Polit. Sci. Quart., March. [An excellent summary, showing the striking final concentration in the hands of three or four great banks.]

SCHUSTER (Sir Felix). Our Gold Reserves. Journal of the Institute of Bankers, Jan. [Paper on the necessity and possible method of strengthening the English Banking Reserve. Discussion in the Journal of the Institute for February.]

SPILLMANN (U.). La tensione monetaria in Europa, negli Stati Uniti d'America, e l'organizzazione delle banche. Giorn. degli Econ., Jan.

UNSIGNED. India's Present Monetary Conditions. Econ. Journ., March. [A brief paper, evidently by one familiar with Indian matters, advocating a larger circulation of gold coin.]

IX. FINANCE AND TAXATION.

BIGWOOD (G.). Les origines de la dette belge. Brussels: Vromant. 1906. 8vo.
[In the main a study of 18th century finance.]

CAILLAUX (M.). Nouveau projet de loi relatif à l'établissement d'un impôt sur les revenus Texte et exposé des motifs présentés aux Députés le 7 février 1907. Paris: Rivière. 1907. 16mo. pp. 80. .50 fr.

CHORLTON (L. D.). Rating of Land Values. London: Sherratt & H. 1907. 8vo. pp. 186. 3s. 6d. net.

COX (Harold). Land Nationalization and Land Taxation. 3s. 6d.
[2d edition, revised.]

DUFAY (J.). L'impôt progressif en France. 2^me^ édition. Paris: Marchal et Billard. 1906. 8vo. 5 fr.

——. L'impôt progressif sur le capital et sur le revenu. Paris: Roustan. 1906. 18mo. 1.50 fr.

FINEISSEN (A. J.). Die Akzise in der Kurpfalz. Beitrag zur deutschen Finanzgeschichte des 16 u. 17 Jahrhunderts. Karlsruhe: G. Braun. 1906. pp. 75. 2 m.
[In Volksw. Abhandl. der badischen Hochschulen.]

FORWARD (C.). All about the Income Tax, House Duty, and Land Tax. London: Ward & L. 1907. 8vo. pp. 132. 1s.

GUYOT (Y.). L'impôt sur le revenu. Rapport fait au nom de la Commission du budget sur les questions soulevées par diverses propositions relatives à l'impôt sur le revenu. Paris: Alcan. 1906. 12mo. 3.50 fr.

LINSCHMANN (H.). Die Reichsfinanzreform von 1906 und ihre Geschichte. Stuttgart: M. H. Moritz. 1906. pp. 210. 2.50 m.
[Chiefly reprinted newspaper articles, by an editor, on the political and parliamentary history of the legislation of 1906 as to the inheritance, tobacco, beer, and other taxes.]

MANSION (A.). Notre système d'impôts directs. Améliorations réalisables. Paris: Rousseau. 1907. 8vo. pp. 48. 2 fr.

MOUCHERONT (P.). Les douanes en Algérie. Paris: Jourdan. 1907. 8vo. pp. 769. 12 fr.

POWELL (B. H. Baden-). A Short Account of the Land Revenue and its Administration in British India, with a Sketch of the Land Tenures. London: Clarendon

Press. 1907. 8vo. pp. 270. 5s. net.
[2d edition, revised by T. W. Holderness.]

SAINT-MAURICE (Comte de). La fortune publique et privée au Japon. Paris: Roustan. 1907. 8vo. 1.50 fr.
[Contains an account of the budget of 1906-07, the government debt, foreign commerce, etc.]

SCHOOLING (John Holt). London County Council Finance. London: John Murray. 1907. 8vo. pp. 193.

STOURM (R.). Le budget. 5me édition revisée et mise au courant. Paris: Alcan. 1907. 8vo. 10 fr.

WEDGEWOOD (J. C.). Land Values: Why and How they should be Taxed. Garden City Press. 1907. 8vo. 3*d*.

In Periodicals.

CANNAN (E.). The Proposed Relief of Buildings from Local Rates. Econ. Journ., March. [A sustained argument to show that such relief would encourage building, but that this is by no means necessarily a desirable outcome.]

DE GENNARO (G.). Trasformazione e riscatto del debito vitalizio dei comuni. Riforma Soc., Jan.

GARELLI (A.). Gli enti locali e le spese di stato. Riforma Soc., March.

JÈZE (G.). Histoire du principe de l'unite budgétaire en France depuis 1870. Rev. de Sci. et de Lég. Fin., IV., 4. [On the control of "extraordinary" expenditures.]

MCCRAE. The Evolution of the Income-tax. Nineteenth Cent., Jan. [Nothing new.]

MARTIN (R.). Die augenblickliche Finanzlage Russlands. Zeitschr. f. Socialw., Feb.

MONEY (L. G. Chiozza). Toward a Just Income Tax. Indep. Rev., Jan. [Discusses graduation and differentiation of the British Income Tax. Provoked by the Report of a Select Committee of the House of Commons.]

MOREL (A.). Les dépenses extraordinaires de guerre. Rev. de Sci. et de Lég. Fin., V., 1. [Considers an important question of budgetary practice.]

ROCCA (E. P.). La riforma dell' imposta di ricchezza mobile. Riforma Soc., Jan.

ROUFFIE (M.). La taxation des plus-values immobilières. Rev. Écon. Intern., Jan. [Traces the history of such taxation in various countries with especial reference to its recent extension in German municipalities.]

SCHOOLING (John Holt). London County Council Finance. Fort. Rev., March. [A survey of London County Council finance during the period of that body's existence. Cf. "London County Council Finance," London, 1907, by the same author.]

TREVELYAN (Charles). Land Value Taxation and the Use of Land. Econ. Journ., March. [A brief paper, advocating taxation on the basis of capital value, not of rental value.]

WATHELET (J.). Le budget de l'empire allemand et les dernières réformes financières. Rev. Écon. Intern., March. [Analysis of the German budget with special attention to new taxes, and recent changes in the relations of state and imperial accounts.]

X. CAPITAL AND ITS ORGANIZATION: COMBINATIONS.

*AVEBURY (Lord). On Municipal and National Trading. London: Macmillan. 1907. pp. 178. $1.
[Highly critical toward public trading.]

BONIKOWSKY (H.). Der Einfluss der industriellen Kartelle auf den Handel in Deutschland. Jena: G. Fischer. 1906. pp. 336. 6 m.

LOUIS (P.). Histoire du mouvement syndical en France (1789-1906). Paris: Alcan. 1907. 16mo.

POND (Oscar Lewis). Municipal Control of Public Utilities.

(Studies in History, Economics, and Public Law.) New York: Columbia Univ. Press. 1906. pp. 115.
[A valuable study of the attitude of our courts toward the increase of the powers and activity of municipalities.]

PORTER (Robert P.). Dangers of Municipal Ownership. New York: Century Co. 1907. pp. 349. $1.80.
[A criticism of municipal ownership on financial, economic, and social grounds. Has special reference to the experience of England.]

PRENTICE (E. Parmalee). The Federal Power over Carriers and Corporations. New York: Macmillan. 1907. pp. 244.
[A review of the leading cases with reference to the present demand for increased federal control over commerce. Author contends vigorously for a strict construction of the commerce clause of the Constitution.]

SUTHERS (R. B.). Mind your own Business. Case for Municipal Management. London: Clarendon Press. 1907. 8vo. 6*d*.

VEBER (A.). L'éclairage. Paris: Dunod et Pinat. 1906. 12mo. pp. 340.
[Favorable account of municipalization of gas and electricity in France.]

ZARTMAN (Lester W.). The Investments of Life Insurance Companies. New York: Henry Holt & Co. 1907. pp. 259. $1.25.
[A valuable study of the character of the investments, investment earnings, failures, legal regulation, and taxation, besides the social effect of the accumulation of insurance assets. Author is instructor in insurance in Yale University.]

In Periodicals.

HADLEY (A. T.). Ethics of Corporate Management. No. Amer. Rev., Jan.

LIEFMANN (R.). Die heutige amerikanische Trustform und ihre Anwendbarkeit in Deutschland. Jahrb. f. Nat. Oek., March.

MUGDAN (O.). Der Entwurf der schweizerischen Kranken- und Unfallversicherung. Zeitschr. f. Socialw., March.

SCHULZ (M. von). Der Entwurf eines Gesetzes betreffend gewerbliche Berufsvereine und seine erste Lesung im Reichstage. Archiv f. Sozialw., 1907, Heft 1.

STRUTZ (G.). Sollen wir den Steinkohlenbergbau verstaatlichen? Zeitschr. f. Socialw., Feb.

XI. ECONOMIC HISTORY.

*BARKER (J. Ellis). The Rise and Decline of the Netherlands. New York: Dutton. 1907. pp. 478. $3.50.
[A plea for Imperialism and an attack on Home Rule, in a partizan history emphasizing some economic factors.]

BLAIR (M.). Paisley Thread Industry and the Men who created and developed it. With Notes concerning Paisley, Old and New. London: A. Gardner. 1907. Royal 8vo. pp. 206. 6*s*. net.

BÜCKLING (G.). Die Bozener Märkte bis zum 30 jährigen Kriege. Leipzig: Duncker & Humblot. pp. 132. 3 m.
[In Schmoller's Forschungen.]

ESPINAS (G.) et PIRENNE (H.). Recueil de documents relatifs à l'histoire de l'industrie drapière en Flandre. 1re partie. Brussels: Kiessling. 1906. pp. 695. 12 fr.

LANGLOIS (H. G.). Le contrat de travail. Une étape de l'évolution sociale. Paris: Libr. gén. de droit et de juris. 1907. 8vo. 8 fr.

PICARD (A.). Le bilan d'un siècle (1801–1900). Tome V. Industries chimiques, industries diverses, economie sociale. Tome VI. Assistance, colonisation, défense nationale. Paris: Le Soudier. 1907. 8vo. pp. 470. 10 fr.

SCHAUBE (A.). Handelsgeschichte der romanischen Völker des Mittelmeergebietes bis zum Ende der

Kreuzzüge. Munich: R. Oldenburg. 1906. pp. 837. 18 m.

[In the Handbuch der Mittelalt. und neueren Geschichte. A full, accurate, scholarly narrative, covering the period from 900 to 1250, without pretence of theorizing.]

TOMBS (R. C.). The King's Post. London: Simpkin. 1907. 8vo. pp. 268. 3s. 6d. net.

[Volume of historical facts relating to the Posts, Mail Coaches, etc.]

In Periodicals.

HASBACH (W.). Der Untergang des englischen Bauernstandes in neuer Beleuchtung. Archiv f. Sozialw., 1907, Heft 1.

[A criticism of Levy's recent statements concerning the disappearance of the English yeoman class.]

HEATH (Richard). Peasant Insurrections, 1381 and 1525. Contemp. Rev., Jan. [Historical study.]

XII. DESCRIPTION OF INDUSTRIES AND RESOURCES.

ARTIFEX and OPIFEX. Causes of Decay in a British Industry. London: Longmans. 1907. 8vo. 7s. 6d. net.

BITTMANN (K.). Hausindustrie und Heimarbeit in Baden zu Anfang des 20 Jahrhunderts. Karlsruhe. 1907. pp. 1220. 10 m.

[An elaborate official report.]

BOISSIEU (P. de). Le développement de l'Égypte au cours des dernières années. Paris: Jouve. 1906. 8vo.

BURKETT (C. W.) and POE (C. H.). Cotton, its Cultivation, Marketing, Manufacture, and the Problems of the Cotton World. New York: Doubleday, Page & Co. 1906. pp. 340. $2.

CHALON (P. F.). Les richesses minérales de l'Algérie et la Tunisie. Paris: Dunod et Pinat. 1907. 8vo. pp. 100. 4.50 fr.

GANNAY (P.). L'impérialisme économique et la grande industrie anglaise. Paris: Pichon et Durand Anzias. 1906. pp. 317.

GREIF (W.). Studien über die Wirkwarenindustrie in Limbach. Karlsruhe: G. Braun. 1907. pp. 125. 2.40 m.

[In Volksw. Abhandl. der badischen Hochschulen.]

HALLE (E. von, editor). Die Weltwirtschaft. 1 Jahrgang, 1906. Teil III.: Das Ausland. Leipzig: Teubner. 1907. pp. 288. 5 m.

[The previous parts were noted in Bibliography for August, 1906. Among the contributors to this third part are H. C. Emery, C. Ballod, and others.]

HUBERT (P.). Le bananier. Paris: Dunod et Pinat. 1907. 8vo. pp. 222. 5 fr.

[In the Bibliothèque pratique du colon.]

ROSENHAUPT (K.). Die nürnberger Metallspielwarenindustrie in geschichtl. und sozialpolit. Beleuchtung. Stuttgart: Cotta. 1907. 4.80 m.

[In Münchener Volksw. Studien.]

SALMON (A.) et CHARLEVILLE (E.). Le Maroc. Son état économique et commercial. Paris: Berger-Levrault. 1907. 12mo. pp. 244. 3.50 fr.

WICKERSHEIMER (E.). L'exploitation du pétrole en Roumanie. Paris: Dunod et Pinat. 1907. 8vo. pp. 60. 2.50 fr.

In Periodicals.

ABBOTT (Edith). Employment of Women in Industries. Cigar-making, its History and Present Tendencies. Journ. Polit. Econ., Jan. [Notes on wages and employment thru the 19th century.]

CHAPMAN (S. J.) and McFARLANE (J.). Cotton Supplies. Econ. Journ., March. [On British endeavors to enlarge the sources of supply for cotton; not optimistic on the outcome.]

FAHLBECK (P.). Die schwedische Eisenerzfrage. Zeitschr. f. Socialw., March.

KEHM (O.). Die Entwicklung der oberschwäbischen Zementindustrie. Zeitschr. f. d. ges. Staatsw., 1907, Heft 1.

NISBET (J.). The Forests of India and their Administration. Nineteenth Cent., Feb.

XIII. STATISTICAL THEORY AND PRACTICE.

LEITER (F.). Die Verteilung des Einkommens in Oesterreich. Vienna: Braumüller. 1907. pp. 570. 10 m.

[A statistical statement, based on the Austrian income tax returns of 1898–1904.].

In Periodicals.

BÜCHER (K.). Zur Frage: Haushaltungsbudgets oder Wirtschaftsrechnungen? Zeitschr. f. d. ges. Staatsw., 1907, Heft 1. [Criticises the household budget investigation undertaken for 1907 by the Imperial Statistical Bureau.]

COLETTI (F.). La determinazione della durata della generazione e il calcolo della ricchezza privata di un paese. Riforma Soc., March.

FEHLINGER (H.). Ueber Lohnstatistik. Ann. der Deutsch. Reichs, 1907, 1. [Reviews recent investigation, chiefly in England and the United States.]

HARRIS (W. J.) and LAKE (K. A.). Estimates of the Realisable Wealth of the United Kingdom based mostly on the Estate Duty Returns. Journ. Roy. Stat. Soc., Dec., 1906.

MOORE (H.-L.). The Variability of Wages. Polit. Sci. Quart., March. [A valuable paper, using a new method of measuring the trend of wages, and applying it to United States census figures for 1890 and 1900.]

SEUTEMANN (K.). Der Stand der Statistik der Bevölkerungsbewegung im Deutschen Reiche und die Hauptzüge der Bevölkerungsentwickelung in den letzten 15 Jahren. Jahrb. f. Nat. Oek., March.

WILLCOX (W. F.). Death-rate of the United States in 1900. Pub. Amer. Stat. Assoc., No. 75, Sept. [Applies correction for all causes to the registration area data, to determine the probable rate for the entire United States.]

XIV. NOT CLASSIFIED.

BOUGLÉ (C.). Le solidarisme. Paris: Giard et Brière. 1907. 18mo. 3.50 fr.

[One of a new series to be called La collection des doctrines politiques.]

CONRAD (H.). Die Pfändungsbeschränkungen zum Schutze des schwachen Schuldners. Eine juristische und sozialpolitische Studie. Jena: G. Fischer. 1906. pp. 340. 12 m.

CONTI (E.). Questioni igieniche e sociali: risparmio, cooperazione rurale, socialismo, e mortalità infantile. Milan: L. F. Cogliati. 1906. 8vo. pp. 187. 2 l.

GEORGE (W. L.) Engines of Social Progress. London: Black. 1907. 8vo. pp. 320. 5*s*. net.

HEATH (H. L.). The Infant, the Parent, and the State, a Social Study and Review. London: P. S. King. 1907. 8vo. pp. 208. 3*s*. 6*d*. net.

[Introduction by Prof. G. Sims-Woodhead.]

PRATT (E. A.). Licensing and Temperance in Sweden, Norway, Denmark. London: Murray. 1907. 8vo. pp. 128. 2*s*. 6*d*. net.

SCHNAPPER-ARNDT. Vorträge und Aufsätze. Herausg. von L. Zeitlin. Tübingen: Laupp. 1906. pp. 327. 6 m.

[Collected essays by a Frankfurt

scholar, published after his death. The chief of them is a monograph describing villages in the Taurus; others are on theory and method.]

SMITH (Sir Thomas). De Republica Anglorum. A discourse on the Commonwealth of England. London: Cambridge University Press. 1907. 8vo. pp. 264. 4s. net.
[Edited by L. Alston. Preface by F. W. Maitland.]

TESSIER (J.). La valeur sociale des biens communaux en France. Paris: Pedone. 1906. pp. 374.

THOMAS (N. W.). Kinship Organizations and Group Marriage in Australia. London: Cambridge University Press. 1907. 8vo. pp. 178. 6s. net.

In Periodicals.

DAWSON (W. H.). A German Tramp Prison. Fort. Rev., Feb., 1907.
[A description of a tramp prison in Westphalia.]

HERZ (H.). Wirtschaft und Verbrechen. Zeitschr. f. d. ges. Staatsw., 1907, Heft 1.

WOLF (J.). Die erste Konferenz des mitteleuropäischen Wirtschaftsvereine. Zeitschr. f. Socialw., Jan.